



Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 22 September 2022

Subject: Annual Governance Statement

Author of Report: Gillian Duckworth, Director of Legal & Governance

Summary: The attached is the Sheffield City Council Annual Governance Statement which forms part of the Council's Statutory Accounts. The document will be signed prior to the Committee taking place and the updated document added.

Recommendations: The Council is required to produce and have signed off, as part of its annual accounts, an Annual Governance Statement. The statement is intended to identify any significant control weaknesses and also to set out how the council intends to address any weaknesses identified.

To note the contents of the Statement and that this has been signed by the Council Leader, Chief Executive and the Director of Finance and Commercial Services and that the statement forms part of the Annual Accounts.

Background Papers: None

Category of Report: Open

Statutory and Council Policy Checklist

<u>Financial Implications</u>
YES Cleared by:
<u>Legal Implications</u>
YES Cleared by:
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community Safety implications
NO
Human Resources implications
NO
Property implications
NO
Area(s) affected
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

Scope of Responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law, and that public money is safeguarded properly accounted for and used efficiently, economically and effectively.

Sheffield City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Sheffield City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: <https://www.sheffield.gov.uk/home/your-city-council/council-operates>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2022 and up to the date of approval of the Sheffield City Council Annual Report and Statement of Accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these

arrangements to citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2022, was amended following a change in formal governance at the AGM in May 2022 and then maintained as amended up to the date of approval of the Annual Report and Statement of Accounts.

Prior to the change in governance in May 2022, in discharging its responsibility, the Council published a Constitution that specified the business of the Council, as well as establishing the role of the Executive, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation laid down the scheme of delegation by which Members of the Council and Officers can make executive decisions on behalf of the Council to ensure the smooth operation of its business. From May 2022, in discharging its responsibilities, the Council published a Constitution that specifies the business of the Council, as well as establishing the roles of Full Council, the Policy Committees, the Regulatory Committees, the Local Area Committees and any delegations to officers.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below:

1) Establishing and monitoring the achievement of the Council's business

The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the Council priorities. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

Prior to May 2022, the Council's Corporate Management Team (CMT) which includes Executive Members had the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

CMT received regular budget monitoring reports in addition to the Portfolio Leadership Teams. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key objectives was also provided regularly to Executive members and may also have been considered by Members at the Overview and Scrutiny Management Committee.

Post May 2022, the Strategy & Resources Committee has the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives. It primarily does this via its Finance Sub-Committee established for this purpose. Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Prior to May 2022, Key decisions were taken by the Executive (Leader, Co-operative Executive, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council. Post May 2022, Policy Committees take decisions within the budget and policy framework set by Council.

Prior to May 2022, the Council had an Overview and Scrutiny function (including a call-in facility), which reported to the Executive and Full Council as appropriate. The Committee system of Governance implemented post May 2022 does not require a scrutiny system or call in facility as all of the decision making committees are politically proportionate. There is a statutory requirement to maintain some scrutiny functions for the whole system operation, for example, health. Health scrutiny is the responsibility of a sub committee of the Policy Committees with the functional responsibilities of adult health and social care; its membership also includes members of the Policy Committee responsible for children's services.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively. Prior to May 2022, the scheme included the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios. Post May 2022, all delegations are set out in the Constitution.

3) Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee. The Monitoring Officer's staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. Prior to May 2022 the Executive Director of Resources carried overall responsibility for financial issues. This is now the responsibility of the Director of Finance and Commercial Services and his staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that was agreed by Cabinet prior to May 2022. A Risk Management Report is produced for CMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management

practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Councillor Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

Reviews of services are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC) and the Office for Standards in Education (Ofsted).

4) Ensuring the efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having a Council Plan setting out the vision and priorities to achieve its medium-term goals.

5) Financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.

6) Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is

performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

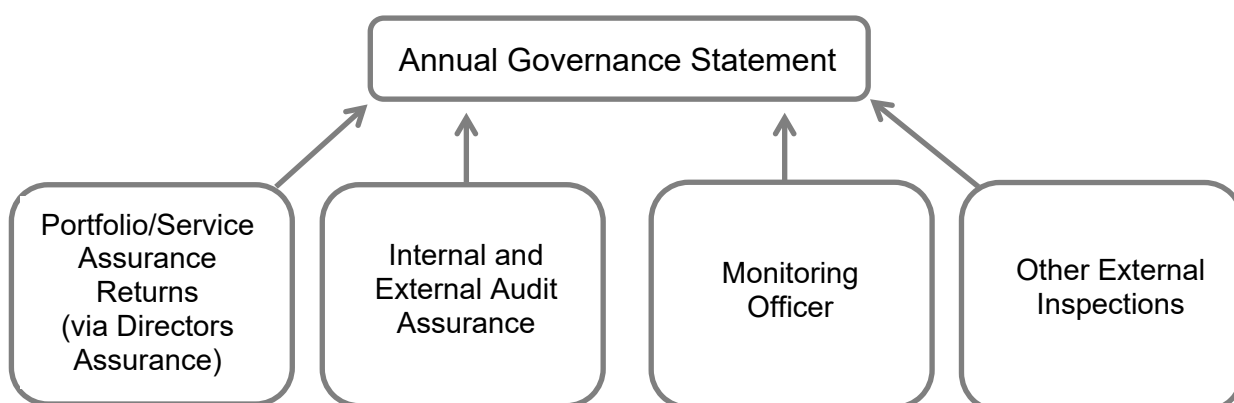
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement.

The review of the effectiveness of the Council's governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The CMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. We are also enhancing our performance reporting, in conjunction with a new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year. The review of internal

control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. The Senior Finance Manager (Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this statement. The Audit and Standards Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2021/22 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. Reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

For all of the inspections, where recommendations were made, assurance has been received that appropriate management action is being taken.

A number of schools within the city have been the subject of Ofsted inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control; so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Councillor Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

The Impact of COVID-19 on our Governance Arrangements

During March 2020, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was significant disruption to the Council's services – some stopped entirely, others were placed under significant strain due to demand, and new services were introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provided (and still provides) for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group (later renamed the Coronavirus Response Group) was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes

- Pause of debt collection
- Pause of complaints process
- Pause of responding to Information requests
- COVID-19 specific risk register maintained

The direct measures implemented had a significant effect on the provision of services and created backlogs in a number of areas. The pandemic has also led to a significant increase in demand in some areas e.g. social care. The effect of the Council's response to the pandemic continued to be monitored throughout 2021/22. All of the direct measures have now ceased other than maintenance of a risk register.

Development of the Governance Framework

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the year, several initiatives have had an impact on the control assurance mechanisms in place:

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and are incorporated within the reports on Risk Management to the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity
- The senior officer team, Executive Management Team has been replaced in September 2021 by a series of three Leadership Boards enabling all of the Council's appointed Directors to have a direct role in leading the organisation. The Strategy Leadership Board, chaired by the Chief executive, oversees the running of the organisation and is the conduit to the Council's political leadership.
- The political Leadership has undergone some changes this year when the May election resulted in the Council having no overall control politically. An agreement was reached in May 2021 between two of the political groups to form a co-operative alliance. As such the former Cabinet was referred to as the Co-operative Executive however it continued to function as a cabinet within a Strong Leader form of Governance throughout the period covered by this statement.
- In August 2019, the Council received a petition requiring it to hold a Governance Referendum to consider a change to a Committee system of governance. The pandemic resulted in all elections including the Referendum to be postponed until May 2021, therefore the Referendum was held in May 2021 and the outcome was a move to a Committee system of governance. As required by law, the Council moved to a Committee system of governance at the Annual Council meeting in May 2022, this resulted in a full revision of the Constitution and the way decision making works within the Council with effect from May 2022. The Council has committed to a full review of the new system of governance 6 months post implementation, i.e. November 2022 and any further changes required as a result of the review will be implemented at the Annual Council meeting in May 2023.

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2021/22, there were zero no assurance Internal Audit opinions. However, Internal Audit have agreed recommendations with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

Our review of effectiveness has highlighted the following issues that the Performance and Delivery Board wishes to monitor across the Council:

Human Resources	Personal Development Review (PDR) completion rates Completion of mandatory Learning Establishment controls tasks are not consistently applied
<p>Personal Development Review (PDR) completion rates PDR completion rates remain low. They have been made available and quality conversations are encouraged with a focus on health, wellbeing and development. The expectations on conversations and PDRs completions have been communication, including benefits of the approach and this will be regularly communicated throughout the year.</p> <p>The employee values will be added to guidance on what to discuss. Managers are informing us that PDRs are taking place and the issue is with recording these in the system. We are trying to make the recording process as simple as possible to prevent this issue.</p> <p>Completion of Mandatory Learning These still need improving and last year there was a focus on ensuring the Equality, Diversity and Inclusion (Unconscious Bias, Inclusion Essentials and Inclusive Leadership) e-learning was completed. Every employee was asked to complete this training by June 2022. The wider mandatory learning is being reviewed and the number of topics people will be asked to complete will reduce. The learning will also be tailored to the service area rather than everyone needing to do the same learning. Go Learn, our new learning platform will help us to tailor the training to individuals, this is due to be launched in October 2022. New employees will be expected to complete mandatory learning within their probation period. Communication plans will accompany any organisation wide focus on particular learning to raise awareness.</p> <p>Establishment controls tasks are not consistently applied Managers not completing the required tasks has resulted in a lack of understanding of the entire establishment at any given time. There is a plan to review and simplify the current human resource processes in the coming months. Clearer instructions will then be issued to managers on what is required.</p>	

Information Governance	Retention Schedules are not present or routinely applied Not processing data requests (FOI and SARs) within timescales
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	<p>Record Of Processing Activities (ROPA) is not kept up to date</p>
<p>Retention and Disposal Schedules are not present or not routinely applied The Council holds a retention schedule for its records. However, it has not been reviewed more recently.</p> <p>As part of the Council’s Tech2020 Project, work is underway to transfer all documents and records to SharePoint. One of the benefits of SharePoint, is that there is a facility to apply retention labels and retention policies across the records held. In order to have the most relevant and up to date retention label, departments were tasked with reviewing their own records, reviewing any legislation attached to the records and ensuring their retention periods were correct and up to date. They were asked to update a copy of the retention schedule as part of this piece of work. This work is ongoing and it is anticipated that the retention schedule will be returned by all services by early autumn.</p> <p>By applying automated retention labels and retention policies to documents, records will be automatically deleted at their specified time. This has the benefit of ensuring compliance with data requests and supporting staff with correctly disposing of data at the relevant time, thus ensuring compliance with Principle E of the GDPR – to not keep personal data for longer than is needed.</p> <p>Employees are also required to complete the mandatory GDPR and security e-learning module - a key organisational control to reduce the risk that data is being retained for too long. By July 2022, 91% of employees had completed this, which is an increase from the previous year.</p> <p>Not processing data requests (FOI and SARs) within timescales There is a significant backlog of requests, brought about by the pandemic and resource issues across the Council, in addition to the difficulties with the retention schedule. We have implemented a case management system which enables real-time tracking of requests. However, the scale of the backlog means recruitment is needed on a temporary basis to address the outstanding requests and then further consideration of how requests are managed in the Council is needed after, to ensure we maintain compliance. This work is to be part of this year’s Delivery Plan approved by the Strategy & Resources Committee at the end of August, with a detailed plan to clear the backlog to follow.</p> <p>Record Of Processing Activities (ROPA) is not kept up to date Across some Services, there has been a drop in updating or reviewing the ROPA, as Services make changes to their processing activities. This has been acknowledged by the DPO and a plan of action has been agreed to start this autumn. There has been some progress within specific Services to review and update the ROPA, but from the autumn, there will be a council-wide project to not only update the ROPA but to carry out a comprehensive data mapping exercise to ensure that the Council understands what data it holds and where. The ambition for the ROPA, is that it will link not only to the retention schedule, but also to the Data Privacy Impact Assessment (if relevant), privacy notice and any security incident related to that particular processing. This will ensure the Council not only meets its legal obligations, but the effectiveness of our accountability measures.</p>	

Statement

Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Performance and Delivery Board.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council’s ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place. We will monitor and review the implementation and operation of any new governance framework as part of our annual review.



Signed:

Date: 21/09/22

Ryan Keyworth – Director of Finance and Commercial Services (Section 151 Officer)



Signed:

Date:21.09.22

Kate Josephs - Chief Executive on behalf of Sheffield City Council



Signed:

Date: 21.9.22

Terry Fox - Council Leader on behalf of Sheffield City Council

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