

SHEFFIELD CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

THE POSITION FOR THE FINANCIAL YEAR 2013/14

Scope of responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently 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, and 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/your-city-council/constitution-and-governance/code-of-corporate-governance.html>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement..

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 2014 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 the Council contains two key elements, the internal control arrangements of the Council and also how Sheffield City Council demonstrates these arrangements to its 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 2014 and up to the date of approval of the annual report and accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation lays down the scheme of delegation by which Members of the Council and Officers can make decisions on behalf of the Council to ensure the smooth operation of business.

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 set out its vision and corporate priorities in its Corporate Plan 2011-2014 ("Standing Up for Sheffield") – agreed by Cabinet on 9 November 2011. The current plan has been developed to clearly show the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A quarterly performance monitoring process has been implemented to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

The Council's Executive Management Team (EMT) and elected Members have 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.

Cabinet receives regular monthly budget monitoring reports in addition to the portfolio members. 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 corporate objectives is also provided regularly to Cabinet members, and may also be considered by Members at the Overview and Scrutiny Management Committee.

The Council has undertaken a number of initiatives to consult with interested groups and the wider citizens of Sheffield on its vision and priorities.

The Corporate Plan and 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. Key decisions are taken by the Executive (Leader, Cabinet, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council.

The council has an Overview and Scrutiny function (including a call-in facility), which reports to the Cabinet and Full Council as appropriate.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that to the functions of the Council are undertaken efficiently and effectively. The scheme includes the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios.

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 Standards Committee. Her 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 in the managers' section of the Council's intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Interim Executive Director of Resources carries overall responsibility for financial issues, and her 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 has been agreed by Cabinet. The Council has appointed a Corporate Risk Manager who has reviewed and re configured the Council's risk management. He reports to the Audit Committee and EMT 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 risk and performance management processes in particular. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. Workshop training has been delivered to senior managers, and an e-training module has been developed that will be integrated into the manager learning and development curriculum.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. The Council has a Members 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 Whistle-blowing 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.

Reviews 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 economical, effective and efficient use of resources

The Council has previously instigated the Modern Efficient Council (MEC) Programme. The programme has developed, leading our corporate plan ambition of putting the customer first and achieving better value for money. The principles were:

- be led and shaped by what the people of Sheffield want, and what matters to them most;
- provide excellent services to our citizens and businesses, first and every time;
- provide outstanding value for money.

The Council is currently putting together its plan for 2015 to 2018 which will update the current thinking on vision and key initiatives.

5 - The financial management of the Council

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

- The work of Internal Audit.
- The external auditors' Audit letter and other reports.
- The role carried out by the Interim Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contracts Administration team in monitoring the work undertaken by Capita (the Council's contractor for financial business processes).

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 defines clear priorities and outcomes in its Corporate Plan, 'Standing up for Sheffield'. 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 Council has introduced an Individual Performance Review framework which requires scoring of individual staff and managers against the Council's Imperatives, which are set at Leadership, Service and Individual level. These scores will enable the Council to map performance distribution. The Imperatives were co-produced using a range of consultative techniques with staff groups in the organisation. Completed reviews will be collated by HR who will gather information which will then be used to identify and consolidate good performance and identify where there is less than optimum performance. Development interventions will be provided to support improvements, where necessary.

The Council has identified a core development programme for managers and employees to embed a consistent approach to management of resources, including its people, and to develop employee knowledge and skills across a range of subjects. Alongside this the Council is developing Portfolio Commissioning Groups to identify, commission and monitor specific development needs of its employees, and to consider the qualitative and quantitative data relating to Individual Performance Reviews.

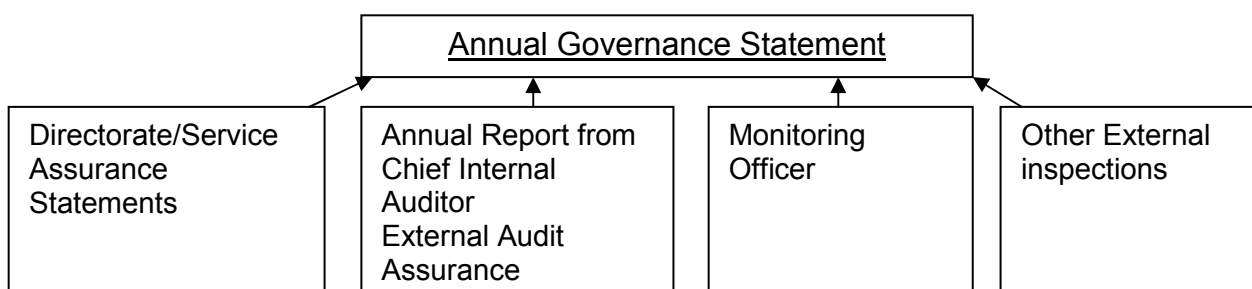
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

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 (AGS).

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 Executive Management Team (EMT) 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 service Directors have provided written assurance to the effect that they are adhering to the Council’s corporate policies, for example, those relating to health and safety and personnel procedures, and are maintaining adequate control over areas of Council activity for which they have responsibility, e.g. service areas and control of specific contracts. 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 initiated. 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. The section also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council’s control framework. This element of Internal Audit’s work also contributes to the maintenance of a sound system of internal financial control. The section 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 section also works closely with the external auditors (KPMG). The service has undertaken a programme of preventative work to mitigate the potential for fraud.

There are some areas of control weakness that have been included under the section relating to weaknesses. The Assistant Director of Finance (Business Partnering Communities and 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 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. Such a review has taken place during the year. The Interim 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 the statement.

The 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 year 2013/14 all these duties have been performed.

A significant part of SCC's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, HR, Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Head teachers SCC retains residual liability for maintained schools where SCC is the employer and the owner of property. During 13/14 following a serious incident at a school, a rigorous plan of action has been put in place to review control of Health and Safety in schools and rectify any areas where improvements are required.

During the financial year 2013/14 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The 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.

The Council's external auditors, KPMG, anticipated issuing an unqualified opinion on the Council's Accounts in their 'Report to those charged with governance (ISA 260) 2012/13' and confirmed that opinion by 30/09/2013.

Individual Council services are the subject of external inspections. The following significant inspection reports were also received:

Department	Inspected by	Comments
CYPF – Children and Families	OFSTED	19/11/13 Requires improvement
CYPF - Lifelong Learning Skills & Communities	OFSTED	03/02/14 Grade 2 - Good
CYPF – Inclusion & Learning	Safeguarding Inspection	January 14 awaiting outcome

CYPF – Inclusion & Learning	New Arrivals and Roma Inspection	February 14 awaiting outcome
Customer Services	SGS - Customer Service Excellence	18/09/2013 Continued Accreditation
Finance	KPMG - Opinion on the Statement of Accounts	30/09/2013 Unqualified audit opinion on 2012/13 Statement of Accounts
Finance	KPMG - VFM conclusion	30/09/2013 Unqualified conclusion

In addition to the above, a number of schools within the city have been the subject of OFSTED inspections. The Children and Young People's Service's Advice and Inspection Service follow up on these reviews and give support to the schools.

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

The Council has an Audit Committee made up of 6 non-Executive elected Members. In May 2011, 2 non-voting independent co-opted members were also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work.

The Audit 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 Audit 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 and Risk Management and the Council's Accounts) and other issues identified by the Committee during the year. This includes monitoring the financial and commercial risks of the Council's major external relationships and a process for consideration of all High Risk Audit Reports. 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.

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 forthcoming year, several initiatives have been planned which will have an impact upon the control assurance mechanisms in place:

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.
- The Council continues to monitor closely its most significant external relationships in relation to risk and governance arrangements, with quarterly reports to both the Executive Management Team and twice yearly reports to the Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

Significant 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 2013/14, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

As part of the 2013/14 Annual Governance Statement process, some significant control weaknesses have been identified. Two of these weaknesses were identified as part of the 2012/13 Annual Governance Statement and have been added again for the reasons set out below. These issues are significant in that they cover large parts of the Council and its activities and require a corporate solution.

Description of the Control Weaknesses	Officer Action
<p><u>Adult Social Care and Supporting Services</u></p> <p>This issue featured on last year's AGS and the service provided an update on progress in January 2014:</p> <p><i>A Programme Board is overseeing progress of the established recovery and medium term activity including the Adult Social Care plans to ensure service users are kept independent safe and well, their unmet eligible critical and substantial needs are met in the most cost effective way and ensuring services are efficient and that staff are deployed in an effective and efficient way.</i></p> <p><i>A number of interventions are being progressed focusing on Reviews and Reassessments, Continuing Health Care, Refining our Personalisation Offer, Direct Payments Monitoring and Management and Adult Provider Services' Savings Plans. Guidance and regular updates are provided to</i></p>	<p>Actions are being taken within the Portfolio and corporately to address these issues</p> <p>There was inconsistent performance in budget monitoring and operational and financial forecasting. Actions are being taken to ensure that better information and processes are in place.</p> <p>There was poor management information. Actions to put in robust management information and financial monitoring are being undertaken.</p>

<p><i>staff and we have hosted four stakeholder events.</i></p> <p><i>The forecast spend position is consistently reducing.</i></p> <p>It would seem that while improvements are being made there is a need to include this item again on the Statement as the measures carried out to rectify the issues raised in 2012/13 have highlighted issues with the support systems to Adult Social Care which may have contributed to the range of issues with the service in 2012/13.</p> <p>Issues were highlighted in service planning, management information, financial management and commissioning.</p>	
<p><u>Capital Project Management</u></p> <p>This featured on last year's AGS.</p> <p>In 2012/13 only 64.1% of forecasts were completed by the relevant managers.</p> <p>Concerns remain about the level of compliance with and the quality of monthly forecasting of schemes by project managers. Slippage remains to be a considerable problem across the Capital Programme.</p> <p>Of particular concern is the Delivery of Highway Schemes.</p> <p>An internal audit report concluded:</p> <p><i>There was ambiguity and overlap in relation to aspects of the implementation, scheduling, monitoring and delivery of the transport capital programme. The Service failed to apply the corporate Capital Approval procedures and was found to have inadequate financial monitoring, reporting & governance arrangements along with a lack of quality assurance regarding project management.</i></p> <p><i>There were high levels of slippage in to 2013/14 which amounted to £5.2m against a total capital allocation of £15.1m (35%) for the service.</i></p>	<p>Whilst there has been an improvement, performance remains short of where it should be.</p> <p>In the last half of 2013-14, between 85% and 92.5% of forecasts were completed. The accuracy of the forecast also improved such that the level of slippage declared at year-end fell from £43.3m in 2012/13 to £9.6m in 2013/14. Total slippage in the year fell from £87.7m to £54.2m.</p> <p>The Capital Programme Group has led the definition and clarification of the roles of Project Sponsor and Project Manager and is rolling this out through the Capital Delivery Service and Finance teams. The Council is now adopting a Gateway Approval process where the project business case has to be supported by a programme Board (Gateway 1 & 3), and reviewed by another cross portfolio officer group (Gateway 2) to ensure compatibility with the whole capital programme and deliverability before it is considered by CPG (Gateway 4) for financial and onward democratic approval.</p> <p>EMT has also recommended that project management should be concentrated</p>

<p><i>A Mid-Term Review of all South Yorkshire LTP and LSTF schemes was carried out in September 2013 by the SYLTP Central Partnership Team. This resulted in a total of £1m of funding being "scaled back" (i.e. re-allocated) away from existing Sheffield schemes on the basis that it was unlikely to be applied in the year. Over and above this, a further nine schemes (amounting to £915k) had been placed under "Special Measures, requiring more detailed programme management scrutiny and/or changes to management of the project".</i></p>	<p>within the Capital Delivery Service which will assume responsibility for monitoring the physical progress of the programme. The Capital Delivery Service is in the process of developing the Capital Hub which will deploy and operate the infrastructure needed to monitor and manage capital programme performance. This work will also enable more detailed performance reports to be provided to EMT and Cabinet.</p> <p>The rate of adoption and adherence to these principles varies across the Council, with the Place Portfolio starting to pilot many of the new ways of working.</p> <p>Notwithstanding that, the Highways service remains one of those services which needs to make the greatest change having moved on only a little since last year. However, the Director of the service is committed to change and is being supported by Finance, Commercial Services and the Capital Delivery Service to realise this.</p>
<p><u>Consistency of Corporate Issues</u></p> <p>A number of issues were raised relating to consistency with processes or procedures across the Council.</p> <p>Areas of concern are as follows:</p> <ol style="list-style-type: none"> 1. Projects - Risk management and reporting – an internal audit report highlighted the lack of a corporate approach to the reporting of risks in projects. 2. Contract management – whilst there is a contract management framework and clear processes for major contracts, there are a wide range of other contractual arrangements in the Council with varying degrees of effective management. 	<p>EMT will identify where it is appropriate for processes to be applied corporately and where Portfolios retain discretion on how to apply a process. An action plan will be devised to set out the reporting and monitoring requirements of EMT. EMT to reconsider its overview of project risk management as part of the business change agenda.</p> <p>The Interim Director of Commercial Services has raised this as an issue and is devising an action plan to rectify the position</p>

<p>3. A lack of consistency in services seeking early support from legal, financial and commercial teams to minimise risk, so that advice is sometimes reactive not proactive</p>	<p>This will be addressed as part of the action in 1.</p>
<p>4. HR people management – HR processes such as sickness absence procedures, Individual Performance Reviews, induction and exit processes and ID badges were identified as processes that although corporately prescribed and frameworks are in place were not always consistently applied across the organisation</p>	<p>Director of HR to review processes to make sure they are robust and assist EMT in preparing an action plan to address the inconsistencies in management as required ID badges have recently become the responsibility of the Director of Transport & FM. HR have not had any previous involvement but the Director of HR will as part of this review work with the Director of Transport & FM to put in place a robust process for allocation of ID badges</p>
<p>5. As part of a programme of work by the Information Governance Board a number of Services across different Portfolios acknowledged that they did not have adequate information retention/destruction policies meaning that they may be holding physical and/or electronic data unnecessarily.</p>	<p>The Information Governance Board has identified the need for guidance to be updated. The Council has recently appointed an Information Governance Officer to address any issues with consistency</p>

Statement

We have been advised on the review of the effectiveness of the governance framework by the relevant Officers and a plan to address weaknesses and ensure continuous improvement of the system is in place. Regular updates on progress will be made available to the Council Leader.

Sheffield City Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Signed:**Date:**.....
Eugene Walker – Interim Executive Director of Resources (Section 151 Officer)

Signed:**Date:**.....
John Mothersole - Chief Executive on behalf of Sheffield City Council

Signed:**Date:**.....
Julie Dore - Council Leader on behalf of Sheffield City Council

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