

SHEFFIELD CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

THE POSITION FOR THE FINANCIAL YEAR 2015/16

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 Regulations 2015, regulation 6(1), 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 2016 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 2016 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 Executive 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 developed its Corporate Plan 2015 – 2018 (agreed by Cabinet on 18 March 2015) which sets out its vision and corporate priorities. 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 continues 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 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 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 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 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 currently 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 1998.

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 needs to make well informed decisions through business intelligence to enable us to make changes to the right things in the right way.

The Corporate Plan 2015 – 2018 acknowledges that it's more important than ever to make the best use of public money. The Council needs to make sure we prioritise our efforts and resources for the greatest impact and plans to have an agreed, prioritised set of strategic changes that we will make, to achieve our long term goals by 2017. (2.19 – 2.23 of the Corporate Plan 2015 - 2018)

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' Annual 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. 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.

For the period of this Statement, the Council operated an Individual Performance Review (IPR) framework which scored individual staff and managers against the Council's Imperatives, set at Leadership, Service and Individual level. These scores enabled 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 were collated by HR who gathered information which was then used to identify and consolidate good performance and identify where there was less than optimum performance. Development interventions were provided to support improvements, where necessary. Whilst the IPR framework has recently been replaced by Personal Development Reviews (PDRs), the focus on performance development will continue.

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.

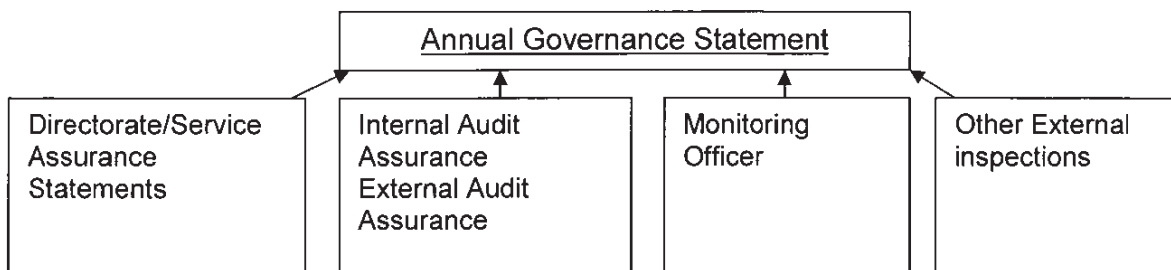
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

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 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 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 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 2015/16 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 the financial year 2015/16 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, issued an unqualified opinion on 24 September 2015 regarding the Council's Accounts for 2014/15.

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

Service	Inspection	Date carried out - result
Capital Delivery Service	Renewal of ISO 9001 Accreditation	16/17 March 2015 New Service Management System accredited and new ISO 9001 Certification Issued.
All Council	External Audit - Statutory Accounts 2014/15	July-September 2015 – unqualified opinion & certificate issued
Revenues & Benefits	External Audit – Housing Benefits	August – November 2015 – qualified opinion and certificate issued
CYP	External Audit – Teachers Pensions	November 2015 – Assurance Letter issued
Housing	External Audit – Pooling of Housing Capital Receipts	November 2015 – Assurance Letter issued
CYP	External Audit – Skills Funding Agency	January 2016 – Assurance Letter issued
All Council	External Audit - Statutory Accounts 2015/16	Interim Audit (part-year)
Sheffield City Council	Information Commissioner's Office Consensual Audit	March 2015 – ICO consensual audit in March 2015. 69 recommendations were made, all of which were accepted. Significant progress has been made in relation to these recommendations around Freedom of Information, Subject Access and Information Sharing. Further work is ongoing to ensure that these recommendations are completed. The initial report from the ICO and follow up report were presented to the Audit Committee. The ICO was pleased with progress that had been made to date.
Sheffield City Council	Public Services Network Cabinet Office	Currently Ongoing As part of our annual accreditation with the cabinet office, we are currently going through this year's accreditation. This accreditation enables SCC to use services and

		products such as GCSX. It provides a secure data exchange so that information can be provided across public authorities (central and local) so that services can be provided.
Sheffield City Council	IG Toolkit	<p>March 2016</p> <p>As part of our annual accreditation, we have gained compliance to the IG toolkit with health. This enables for example SCC to receive datasets from health which helps in particular public health, communities and CYPF (Children Young People and families).</p> <p>We achieved a satisfactory score level 2.</p>

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, and are incorporated within twice yearly reports on Risk Management Updates to the Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

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 2015/16, 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.

Significant Governance Issues


It is felt that no significant control weaknesses have been identified through the Annual Governance process.

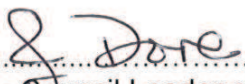
Statement

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: 21/6/16
Eugene Walker – Interim Executive Director of Resources (Section 151 Officer)

Signed:  Date: 16/6/16
John Mothersole - Chief Executive on behalf of Sheffield City Council

Signed:  Date: 16/6/16
Julie Dore - Council Leader on behalf of Sheffield City Council