



Annual Governance Statement

Sheffield City Council
2022/23



Introduction

Under the Accounts and Audit (England) Regulations 2015, local authorities in the UK are required to publish an Annual Governance Statement (AGS) along with their Statement of Accounts. The AGS reports publicly on an authority's compliance with its own Code of Corporate Governance. The Delivering Good Governance in Local Government Framework (2016), published by CIPFA and Solace, sets out the good governance principles on which the Code of Corporate Governance should be based, and provides guidelines for the content of the AGS.

The purpose of this AGS is to:

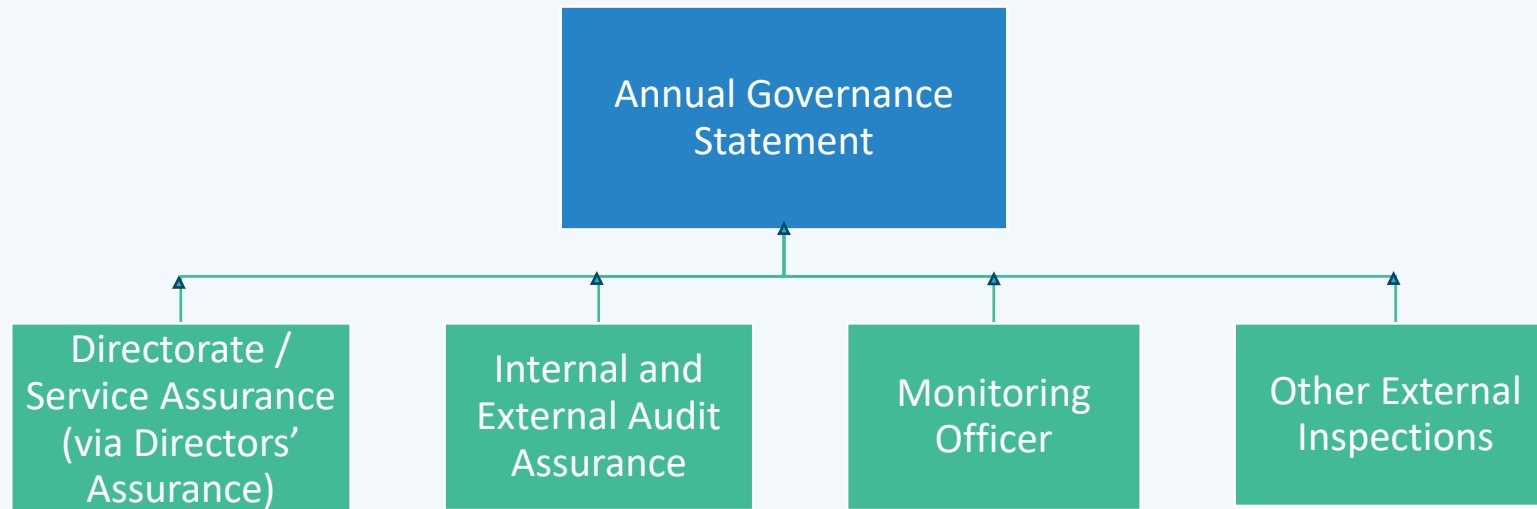
1. Explain to our community and stakeholders how the Council's governance arrangements operate and the controls the Council has in place to manage the risk of failure to deliver planned outcomes.
2. Set out how the Council has monitored and evaluated the effectiveness of its governance arrangements.

Effective governance and internal control

The Council is responsible for ensuring that it has a sound system of governance and internal control. This is underpinned by the Council's [Code of Corporate Governance](#).

The Council has a duty to review the effectiveness of its governance framework on an annual basis. This review is informed and supported by the work of internal auditors and senior managers, as well as external auditors and other review agencies and inspectorates. This review informs the production of the AGS.

There is a process of positive verification in place, which is summarised below.



Inputs to the Annual Governance Statement

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- **Internal Audit** provides an independent review of the Council's internal control systems and works closely with the Council's external auditors, EY.
- The **Monitoring Officer** monitors and reviews the operation of the Constitution.
- **Full Council** is responsible for setting the Council's overall objectives, setting the budget, and setting the level of Council Tax.
- **Directors** give written assurance that they are achieving compliance in key required areas. The Council is enhancing its 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 **Performance and Delivery Board** manages improvement actions.
- The **Audit and Standards Committee** scrutinises the work undertaken by Internal Audit. The Committee is also responsible for promoting high standards of conduct by Members, overseeing the Members' Code of Conduct, and considering complaints where a Member may have breached the Code.
- During the year, the Council has been inspected by several **external agencies**. Their reports have been scrutinised to identify issues to ensure that appropriate corrective action is implemented.

Key elements of the Council's governance arrangements

Council, Leader, Committee System

The Council represents the views of the community, and makes decisions through meetings of the Full Council, its various committees, and officers acting on authority delegated to them. The Leader acts as the principal political spokesperson for the Council, and develops the vision for the city, working with chief officers, committee chairs, and group leaders. The Strategy and Resources Policy Committee comprises 11 members and is chaired by the Leader of the council. It is responsible for taking decisions on corporate, strategic, and cross-cutting matters. Individual committees have responsibility for decisions within the ambit of their themed scope.

Scheme of Delegation

The Council's constitution sets out decision-making authorities across the Council. It reserves some decisions to the Council or Committees and sets out the level at which officer decisions are made.

Scrutiny and Audit

The new Committee governance structure does not require an Overview and Scrutiny function as decisions made in Committee are on a cross party basis, but formal scrutiny remains in place for Health. Policy Committees agree performance priorities and undertake performance reviews.

The Audit and Standards Committee oversees the Council's risk management, control and corporate governance arrangements.

Strategic Leadership Team

SLT deals with key corporate issues and strategic service issues. It supports the Council's political leadership, providing a steer on policy issues where necessary.

Risk management and internal control

The Council's risk management and internal control arrangements support the monitoring of risks and evaluation of the effectiveness of the Council's governance arrangements.

Core principles of good governance

The **CIPFA/Solace Governance Framework** sets out 7 core principles of good governance. The arrangements the Council has in place to meet these core principles are set out below.

More detail on how the Council complies with the core principles is set out in its [Code of Corporate Governance](#).

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical value, and respecting the rule of law

The Council has in place appropriate policies and procedures to ensure compliance with laws and regulations, including in relation to anti-bribery and whistleblowing. The Constitution sets out the framework for behaviour, including codes of conduct for officers and members, and the statutory roles of the Section 151 Officer and the Monitoring Officer.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The Council actively engages with its stakeholders through formal and informal partnerships and feedback gathering exercises. It publishes decisions, including clear reasoning and explanations for those decisions. It also responds in a transparent manner to requests for information.

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council's vision reflects its purpose and intended outcomes, and this provides the basis of the Council's strategy and planning. It takes a long-term view in decision making, taking into account the sustainability of available resources, and factoring economic, social and environmental impacts into decision making.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council considers rigorously analysed options before making decisions to ensure that outcomes are achieved, and best value is achieved. It also engages with external stakeholders to ensure that plans have the required impact. The Council ensures that arrangements are flexible to allow it to respond agilely.

PRINCIPLE E: Developing the Council's capacity, including the capability of its leadership and the individuals within it


The Council has established clear decision-making frameworks, including its delegations. There is clarity on roles and responsibilities for members and officers. The Council also ensures that members and officers have appropriate skills and experience to support those roles and responsibilities.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

The Council recognises risk management as an integral part of all its activities. It maintains a risk management framework and monitors and evaluates risk management and internal control regularly. Scrutiny is also a central part of the Council's decision making.

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council is committed to communicating with the public in a transparent manner to enhance public scrutiny. It acts on recommendations made by internal and external audit and welcomes peer challenge.



The key aims of the Council's internal control environment are:

- 1. Establishing and monitoring the achievement of the Council's business.** The Council has a business planning process that aligns Service Plans with Council priorities contained in the Our Sheffield Delivery Plan. Before May 2022, Cabinet had responsibility for formulating the Council's Medium Term Financial Strategy and for oversight of budget monitoring. Since the change to a committee governance structure, this responsibility has transferred to the Strategy & Resources Committee. Minutes of Council and Committee meetings are publicly available on the [Council's website](#).
- 2. Facilitation of policy and decision-making.** Before May 2022, key decisions were made by the Executive. The Council no longer has the legal concept of Key decisions but its delegation framework ensures Policy Committees take appropriate decisions within the Council's budget and policy framework. The Council is no longer required to have an Overview and Scrutiny function; however, elements of formal scrutiny continue in relation to Health via a sub-committee of the Adult Health and Social Policy Committee. The Leader's own scheme of delegation has been replaced with delegations documented in the Constitution.
- 3. 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 Corporate Delivery Plan setting out the vision and priorities to achieve its goals.

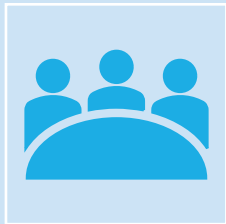
4. **Financial management of the Council.** The effectiveness of the system of financial management is informed by:
- The work of Internal Audit.
 - The external auditor's Annual Audit Letter and other reports.
 - The role carried out by the Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.
 - **Ensuring compliance with established policies, procedures, laws and regulations.** The Council has the following in place to achieve this objective:
 - Procedures are set out in the Council's Constitution, including Standing Orders, Financial Regulations and Protocol, and procurement guidelines.
 - The Monitoring Officer has overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee.
 - Overall responsibility for financial matters sits with the Director of Finance and Commercial Services.
 - A Risk Management Framework is in place and risks are reported to the Performance and Delivery Board and Audit and Standards Committee.
 - Audit and Standards Committee oversees the Member Code of Conduct.
 - A Whistleblowing Policy is in place to enable employees and others to raise concerns about the Council's work.
 - Services are reviewed periodically by Internal Audit and external agencies, including the Care Quality Commission and Ofsted.
5. **Performance management and reporting.** The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against its objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed. The Human Resources Service supports directorates to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board has been 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.

Developments in the Council's governance arrangements

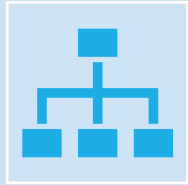
The Council's Governance Framework needs to evolve to consider the changes that are taking place across the organisation. During the year 2022/23, several initiatives have had an impact on the control assurance mechanisms in place.



A Referendum was held in May 2021, the outcome of which was that the Council moved to a committee system of governance. This was adopted at the Annual Council meeting in May 2022, and resulted in a full revision of the Constitution and the way decision making works within the Council. The Council commenced its review of the new system of governance in November 2022 and the changes resulting from that review were implemented at the Council's Annual Meeting in May 2023. The Council is now divided into politically balanced committees that make decisions.



In November 2022, Sheffield City Council underwent a Corporate Peer Challenge conducted by the Local Government Association. The focus of the assessment was on the Council's corporate governance and leadership. As a result, several recommendations were identified and accepted by the Council. These recommendations include efforts to strengthen the implementation and functioning of its committee system by incorporating more public engagement and empowerment. Additionally, the Council will work on establishing transparent processes, protocols, and guidance to support these objectives.



The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and these are incorporated within the reports on Risk Management to the Performance and Delivery Board and the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.



The three Leadership Boards enabled all 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 Sheffield Street Trees Inquiry concluded in March 2023 and put forward a set of recommendations regarding the Council's overall culture and governance that it aims to adopt.

Opinion on the level of assurance provided by the Council's governance arrangements



The outcome of the review of the Council's governance arrangements is an opinion on the effectiveness of those arrangements. The Council has considered the findings of the review to assess whether its governance arrangements are fit for purpose in accordance with the governance framework. While the Council's governance arrangements are adequate, there is more that the Council can do to ensure it delivers its planned outcomes effectively.



The 2021/22 review has highlighted some governance issues, and the Council is developing a plan to better identify and resolve weaknesses in its internal control systems. The Council is also committed to continuous improvement of its governance framework. To support this, the Code of Corporate Governance is due to be reviewed in early 2024. The Council will also be supported by CIPFA to review the process for producing the Annual Governance Statement.

Governance issues 2021/22

Several governance issues were identified in the **2021/22** Annual Governance Statement. Details of these issues, and an update on the progress of proposed actions to address them, are set out below.

HUMAN RESOURCES		
Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
Personal Development Review (PDR) completion rates are low age 87	Expectations were communicated to employees and further communication was planned throughout the year. The process for recording PDRs was to be simplified to avoid the issue of completed discussions not being recorded.	The system element of the PDR process has been streamlined. New guidance and templates have been produced to support quality PDR conversations and the timescales have been outlined. This will continue to be communicated.
Completion rates of mandatory learning need to be improved	Mandatory learning was to be reviewed to reduce the number of training modules staff have to complete, and training was to be tailored to service areas. A new learning platform was to be introduced in October 2022. Communication plans were to accompany any organisation-wide focus on learning.	Completion rates for required learning remain below the 85% target. The Council will continue to issue reminders on learning requirements and will explore how information on compliance will be reported and shared.

HUMAN RESOURCES

Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
Establishment controls tasks are not consistently applied	Planned review and simplification of human resource processes and clearer instructions to be issued to managers about what is required.	Planned actions implemented and no further action required.

INFORMATION GOVERNANCE

Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
Statutory timescales for responding to requests for information are not being met due to a backlog of requests caused by the pandemic and resource constraints	The Council implemented a case management system that enabled real-time tracking of requests. However, temporary recruitment was required to clear the backlog, and the Council proposed to further review managed of information requests as part of the Delivery Plan.	There is an ongoing backlog in this area. Improvement has been made and the operating model will be reviewed. The Council will also review a case management system for automating the process,. The FOI Internal Review backlog is being reduced by additional temporary resource, but the scale of the backlog means resource is required to adequately address the volume of information requests and achieve compliance. The ICO's audit (in May 2023) will shape the Improvement Action Plan.

INFORMATION GOVERNANCE

Governance Issue identified in 2021/22 Annual Governance Statement	Proposed action	Update for 2022/23
<p>Retention Schedules are not present or routinely applied</p>	<p>The Council’s Tech2020 Project includes transfer of documents and records to SharePoint, which allows retention policies to be applied. This process included a review of retention periods by departments.</p>	<p>The transfer to SharePoint has not been completed and the Council does not have up to date Retention and Disposal Schedules. This project needs to be reinstated and it is anticipated that new/replacement systems include questions about deletion and anonymisation at the point of tender. It is noted that this is a risk in relation to GDPR compliance.</p>
<p>The Record of Processing Activities (ROPA) is not kept up to date when services make changes to their data processing activities</p>	<p>A Council-wide plan of action was agreed to start in Autumn 2022 to build on work done with individual services. The ambition was for the ROPA to link with the Retention Schedule and the Data Privacy Impact Assessment (if relevant), privacy notice, and any security incident relating to that particular processing.</p>	<p>This remains an issue and the Council continues to work towards the ambition identified in last year’s AGS. Services have been asked to review their ROPA and provide updated information to the Information Management Team.</p>

Governance issues 2022/23

Governance issues identified in **2022/23**, and the proposed actions to address them, are set out below.

HUMAN RESOURCES		
Governance issue	Details of risk	Proposed action
Code of Conduct forms not being completed consistently Page 90	Code of Conduct forms (including Council Policies Update, Declaration of Gifts and Hospitality and Declaration of Interest) should be read and signed by staff each year. This is not happening consistently, with this issue being exacerbated, in part, due to unavailability of the relevant forms in the Council's HR system.	There is ongoing work with the supplier to fix the modules in the HR system. Annual reminders will be sent out to all employees, and the Council is also exploring how information on compliance will be reported and shared.

INFORMATION GOVERNANCE

Governance issue	Details of risk	Proposed action
Privacy notices and telephone scripts may not be up to date or appropriate	Privacy notices may not be up to date, meaning that there could be issues for GDPR compliance. Telephone scripts may also not contain adequate information about privacy notices.	All services will be required to review their privacy notices and/or telephone scripts to ensure that they contain accurate information.
Legacy contracts may not have appropriate data processing agreements	Contracts entered into before 21 September 2022 may not be up to date with regard to data processing and need to be updated to reflect the new UK transfer mechanism (International Data Transfer Agreement).	The Contracts Service will review all such contracts and, where personal data is processed in a country of non-adequacy, the data processing agreement will need to be updated by March 2024.

BUSINESS PLANNING

Governance issue	Details of risk	Proposed action
<p>Service planning and workforce development plans not available</p>	<p>Service plans play an essential role by establishing a connection between the Council’s priorities, as outlined in the Corporate Plan, and the specific activities carried out by its services. The Council has not had a corporate plan for several years, relying instead on annual delivery plans. Furthermore, there were inconsistencies in the approach to service plans and development of workforce development across the Council.</p>	<p>The Council has prioritised the development of a standardised service plan template. More detailed guidance on the required elements of the plan has also been provided and the Council has ensured that the necessary data for creating the plans is easily accessible. The City Futures portfolio is relatively new, and with significant changes in directors, the creation of service plans in this area has been affected.</p>
<p>Performance Management Framework not in place or not being followed</p>	<p>There were issues in implementing the Performance Management Framework in that measures were not reviewed annually and routine reporting was not taking place. A review of the operating model for Performance Management had been stalled whilst changes were made to the senior officer structure.</p>	<p>The approach to performance management in the organisation has moved on and we now have a corporate performance framework that is reported quarterly to the Performance & Delivery Board as well as providing performance data to Members. The operating model review has now recommenced and as part of that we will be taking a holistic approach looking at culture, processes, systems, data, and structure which will hopefully alleviate the issues raised by services in the process of completing the AGS.</p>

FINANCE

Governance issue	Details of risk	Proposed action
Variances in monthly budget forecasting	Monthly Budget Forecasting over the year showed significant variances in the first quarter It is important that forecasts are as realistic as possible in year to avoid the Council undertaking actions which are not commensurate with its underlying financial position.	Monthly forecasts have been substantially improved over the remaining period. A greater focus on accurate forecasting has been developed as part of the Council’s monthly monitoring protocols.
Slippage in achieving Business Improvement Plans	Business Improvement Plans (BIPs) delivery has a material impact upon the Council’s financial standing. There was substantive slippage within the 2022/23 delivery plans which impacted the Councils outturn position and required a further call on earmarked reserves.	Governance on BIPs delivery has been strengthened and transformation resources have been identified to support accelerated delivery plans.

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The 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 and the Audit and Standards Committee.

Timeline of governance issues

The timeline below shows when governance issues were identified and resolved. It also identifies issues that are ongoing.

Governance issue	Year identified					Status
	2018/19	2019/20	2020/21	2021/22	2022/23	
Personal Development Review (PDR) completion rates are low	✓	✓	✓	✓		RESOLVED
Completion rates of mandatory learning need to be improved		✓	✓	✓	✓	ONGOING
Establishment controls tasks are not consistently applied				✓		RESOLVED
Statutory timescales for responding to requests for information are not being met due to a backlog of requests caused by the pandemic and resource constraints			✓	✓	✓	ONGOING
Retention Schedules are not present or routinely applied		✓	✓	✓	✓	ONGOING
The Record of Processing Activities (ROPA) is not kept up to date when services make changes to their data processing activities			✓	✓	✓	ONGOING
Code of Conduct forms not being completed consistently		✓	✓		✓	RECURRENCE OF ISSUE
Privacy notices and telephone scripts may not be up to date or appropriate					✓	NEWLY IDENTIFIED ISSUE IN 2022/23

Timeline of governance issues (continued)

Governance issue	Year identified					Status
	2018/19	2019/20	2020/21	2021/22	2022/23	
Legacy contracts may not have appropriate data processing agreements					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Service planning and workforce development plans not available					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Performance Management Framework not in place or not being followed					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Variances in monthly budget forecasting					✓	NEWLY IDENTIFIED ISSUE IN 2022/23
Slippage in achieving Business Improvement Plans					✓	NEWLY IDENTIFIED ISSUE IN 2022/23

Conclusion

The Council is satisfied that it has adequate governance arrangements in place. However, we have identified some actions that need to be taken in order to address some weaknesses identified in the review. We will monitor and review the implementation and operation of these actions as part of our annual review.

The Council will improve its governance arrangements by:

1. Updating its Code or Corporate Governance.
2. Addressing the governance issues highlighted in this AGS.
3. Reviewing the process for preparing the AGS.



Cllr Tom Hunt
Leader
[SIGNATURE]



Kate Josephs CB
Chief Executive
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