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. This statement explains how Sheffield City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2009 in relation to the publication of the 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 its activities through which it accounts to, engages with and leads the community. It enables the Authority 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 and 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 the impact should they be 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 2011 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 etc.
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 2011 and up to the date of approval of the annual report and accounts.

In discharging its responsibility, the Council has in place a constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Legislative Boards. The document also 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;

Establishing and monitoring the achievement of the Council’s business

The Council has set out its vision and corporate priorities in its Corporate Plan (“City of Opportunity”). 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 service planning process that is designed to align service activity and objectives to the corporate priorities. A new quarterly performance monitoring process has been designed to track the progress against the Council’s key priorities and 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 direction in order to ensure that adequate resources are available to meet the Council’s objectives.

Cabinet and Scrutiny now both receive regular monthly Budget Monitoring reports in addition to the portfolio members. The Council’s systems for producing this information have been developed to provide a timely and accurate position for the services and Council as a whole on a consistent basis. There is also a well developed corporate and consistent approach to the production of such reports and presentation of the information. Performance management information in relation to the key corporate objectives is also considered on a quarterly basis by Members.

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 the Council meetings are available to any interested parties through the Council’s Internet site.
The facilitation of policy and decision-making

Policy and decision making is undertaken by the Cabinet – including key decisions on the policy and the budget framework. The Council’s overall budget and policy framework are set by Full Council.

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

There is a scheme of delegation in place that allows the 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.

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 directorates, including a requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management in the manager’s section of the Council’s intranet. These set down the procedures to be used in relation to management of employees. There is a formal induction process in place that is designed to ensure that employees are made aware of their responsibilities. The Executive Director 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 in place a Risk Management Strategy that has been agreed by Cabinet. There is also a Corporate Risk Management Group in place that includes senior officers from across the Council. The group’s prime functions are to review the processes in place and to examine mitigation strategies for the key risks identified. It should be noted that these processes are currently being revised and updated to ensure that they meet the current requirements of the Council. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated during the year and is closely aligned to the performance management processes in particular to ensure that the processes used are simple and effective and meet the requirements of the Council. Training has been commissioned to roll this out across the Council.

The Council has a Standards Committee which oversees the Council’s Code of Conduct for Members. This Committee operates outside the main Council structures and the Chair and Deputy Chair are independent of the Council. There are agreed terms of reference for this committee which meets on a quarterly basis.

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 contained in the Human Rights Act.
Reviews are undertaken on a periodic basis by Internal Audit and agencies including the Commission for Social Care Inspection (CSCI), the Audit Commission and the Office for Standards in Education (OFSTED).

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. As a Modern and Efficient Council, we will:

- 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 programme makes it clear how each part will help the Council to achieve its vision. Not only will the process apply to the whole of the Council and its services, but will also extend to partner organisations and contractors where applicable.

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 and Inspection letter and other reports.
- The role carried out by the Executive Director Resources in relation to 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).

Performance management and its reporting

A key component of the performance management regime is covered by the service planning process which is now in place. This requires objectives to be set and processes to be followed to monitor the progress made. These are all linked to the Council’s corporate and directorate objectives. The corporate plan “A City of Opportunity” has 39 Corporate Priorities which underpin the Council’s corporate ambitions, and the Council worked to this plan throughout 2010/2011. It remains in place but will be reviewed, though the core structure of planning, performance monitoring and accountability will remain. The Council has a programme led delivery process in place to underpin the delivery of these objectives. A process is in place to monitor the progress against these 39 priorities on a quarterly basis: this is undertaken by the Council’s Executive Management Team and is also scrutinised by Members.

The Council has in place an appraisal process based around core competencies for individual grades that are designed to evaluate the individual performance of its workforce and highlight any training requirements.

The Council also has a training programme in place, which is specifically tailored to the needs of Members in fulfilling their roles and responsibilities.
**Review of Effectiveness**

Sheffield City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

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 have responsibility 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:

![Diagram of Annual Governance Statement process]

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 (Audit Commission). The service has undertaken a programme of preventative work to mitigate the potential for fraud.
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There are some areas of control weakness that have been included under the section relating to weaknesses. The Chief Internal Auditor has confirmed that he is unaware of any other significant control weaknesses that have not been considered when compiling this Statement. The Audit Committee has the responsibility 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 Deputy Chief Executive, 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 Authority and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2010/11 all these duties have been performed.

A significant amount of Children’s and Young People’s Services activity is undertaken within Schools. The Portfolio has in place a number of inspection regimes which monitor the various aspects of performance. The Portfolio has provided assurance that overall they are satisfied that schools are operating within the expected policies and procedures in terms of their local governance, accountability and management. This is based upon their own system and also from written assurance gained from individual schools.

During the financial year 2010/11 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, the Audit Commission, were able to issue an unqualified opinion on the Council’s Accounts in their Annual Governance Report for 2009/10.

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

- The Council’s Internal Audit Service has been inspected and retains its current ISO registration.
- The Council’s Insurers undertook a review of the insurance service which found that overall; the standard was Excellent which was supported by a 95% technical service proficiency result being achieved.
- The Council’s Arms Length Management Organisation (ALMO) Sheffield Homes has been inspected and currently has a 3 star rating.
- Within Modern Governance, the external inspection by Local Government Yorkshire and Humber into Member Development Activity awarded the service Charter Plus Status.
- In the Children and Families Service the inspection of the Safeguarding and Looked After Children Services resulted in a rating of Adequate/Good.
- The Care and Support service within Communities received its CQC Annual Performance Assessment of Adult Social Care and was rated as being Excellent.

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, Advice and Inspection Service follow up on these reviews and give support to the schools.
During the year OFSTED carried out a formal Re-Inspection of Adult & Community Learning, Work-Based Learning and Train to Gain following their inspection the year before. As a result of the re-inspection, Business Administration & Law moved from “Grade 4 – Unsatisfactory” to “Grade 3 – Satisfactory”.

For all of the above inspections, recommendations were made for which assurance has been sought that management action is being taken.

The Council has an Audit Committee made up of Councillors. The 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. They also consider the Council’s compliance with its own and other published standards and controls. The Audit Committee has been set up to meet the best practice guidelines.

The Audit Committee has a programme of work throughout the year and the Committee meets approximately six times per year. The papers and minutes for these meetings are available on the intranet.

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:

- Following a major transformation of its finance function, the service is now positioned to be better able to deliver the timely and accurate financial information on which to base decisions. At the same time this has led to cost savings that have been made available to the Council as part of an ongoing process.

- The Modern Efficient Council Organisational Programme continues to look in detail at the way that our services are organised and delivered to make sure that these are done in the most efficient and effective ways possible, for the benefit of our customers.

- The Council is continuing to develop its governance arrangements to cover all of its partnerships and external relationships. This will help to develop consistency in the approach to partnership working.

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 2010/11, 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.

A number of control weakness identified in the 2009/10 statement have now been resolved, or the risks have been reduced to a level where they no longer constitute an issue in relation to this statement.

As part of the Annual Governance Statement process, a number of significant control weaknesses have been identified, details of which are recorded 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

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<thead>
<tr>
<th>Description of the Control Weaknesses</th>
<th>Officer Action</th>
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<tr>
<td><strong>Museum Sheffield (Sheffield Galleries and Museums Trust)</strong></td>
<td>The Board of Museums Sheffield have now recognised the need for more timely financial information. To this end a Head of Finance has been appointed with the assistance of KPMG. One of the specific briefs for this new post holder is to bring the accounts timetable in line with the Board’s requirements and the Council’s requirements, i.e. regular monthly management accounts available by the end of the third week in the following month at the latest. It is too early to see if this change of personnel will result in the essential information being available on time; However it is important to note that pressure for this change is now coming not only from the Council but also from the Board. In summary therefore:</td>
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<tr>
<td>Issues relating to the Sheffield Galleries and Museums Trust were raised in last years Annual Governance Statement and although officer action was taken in line with that stated then concerns remain. These concerns primarily relate to the adequacy of cash flow and the client function management of the trust. 2010/11 was a year where the issues around the funding of Museums Sheffield (SGMT) came to a head and were addressed. The end result is an agreement that Museums Sheffield has to strengthen its financial control and in particular that it has to be more aware of the impact of any grant claims on its cash flow position. To this end the agreement is that they have to obtain the acceptance by the Council of any grant application where there will be an impact on the cash flow i.e. where the grant is released in retrospect after the work is undertaken. No grant such as this can be accepted prior to the Council considering it and underwriting the required cash flow support. Although this is the fundamental change that has flowed from the review of the Museums Sheffield operations, it should be noted that Council has agreed to write off a significant debt in order to stabilise the operation. The long debt however, the balance from the original advance to support the Weston Park Museum completion, has not been written off, a holiday on repayments has been granted for this £650k element of the overall debt. In addition a new Services Agreement will now be drawn up based on work undertaken during 2010/11. This work was delayed by the need to resolve the balance between the reduced budget and the operations, an exercise that has seen Museums Sheffield hand back Bishops House to the Council and reduce the opening hours at all other venues.</td>
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## Elections

The May 2010 general and local elections highlighted a number of issues regarding the conduct of elections which were widely reported in the media. These focussed in Sheffield on queues of electors in the evening at a small number of polling stations who were unable to vote before 10.00pm.

An internal review of the polling stations issues was carried out at the time and a report published with 11 recommendations. These recommendations were all accepted and are being implemented. Key points were the need to increase the overall number of polling stations to reduce the number of electors per station in areas with high elector numbers, to increase staffing at some polling stations, to improve staff training, and to improve systems to ensure a speedier response to emerging pressures.

A wider elections debrief exercise was also carried out, completed in February 2011, looking at all aspects of the elections function. This has strongly informed planning for the local elections and national referendum in May 2011. This included strengthening management arrangements through the creation of a single Elections Project Board which meets throughout the year, the creation of additional temporary management arrangements during the elections period, and a substantially expanded programme of staff training for all polling station and counting staff.

## Reviewing Policy and Practice in the Administration of Medication in Adult Social Care

In 2010 a planned review began of the medication policy for domiciliary care providers. This has prompted a stock-take and joint work with the NHS and Community Pharmacist Service to ensure common standards, consistent application of practice and clear governance. There are a range of policies in circulation with individual providers. A more consistent approach to policy is required.

Joint strategic and pharmacy planning groups established with local NHS organisations and community pharmacists. These include NHS-led Joint Pharmacy Group, Controlled Drug Information Network and Area Prescribing Committee

To use the learning from changes in induction of staff, on-going training,
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<tr>
<th><strong>Consistency of Property Policies and Procedures across all Council Premises</strong></th>
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<tr>
<td>The recent corporate approach to property management including the roll up of individual property teams from the various portfolios into one team has highlighted issues with the different arrangements being applied to compliance management undertaken by the various teams. This has been evidenced through recent internal and external audits which have highlighted issues regarding evidence of compliance particularly regarding fire risk assessment. Audit reports for insurance purposes for asbestos management and Legionella management highlighted only minor issues that are being managed.</td>
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<tr>
<td>Self assessment has highlighted the inability to evidence some compliance particularly on the Place portfolio and Community Buildings portfolio. This is attributable to the lack of a corporate management system with no improvement programme in place.</td>
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<td>Failure to ensure compliance could result in a number of issues ranging from fines/closure of services, due to non-compliance, through to injury to staff/users and resulting in subsequent legal action taken against the Council. In light of the legacy issues being managed, there will be a financial impact which will need assessing. To manage this financial impact, subject to the availability of funds, the Council will have to consider the prioritisation of capital and revenue expenditure and in some cases consider disposal options for some assets where investment would exceed financial or social value.</td>
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<td>The implementation of new health &amp; safety management system and action plan for current potential non-compliances is being dealt with.</td>
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<td>A new recording and monitoring system is to be established across the whole property service.</td>
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<tr>
<td>Design &amp; Project Management Services have already been commissioned to action the key issues and work on the design for a new safety management system common to the whole Council.</td>
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<tr>
<td>It is intended that Immediate actions take place during May and June 2011, with a new system in place by December 2011.</td>
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<td>Repairs and Maintenance budgets will be reassessed with the identification of budgets for statutory compliance management.</td>
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### People Management Procedures – Consistency of Approach, Payroll and HR Connect

**Compliance / consistency of application of HR procedures** - During the last year the HR service has consolidated its position as a corporate service and now all HR staff in the council report into one management structure. It is now important to be able to manage corporate consistency of application of policy and procedure as currently there are areas of non-compliance with HR policy and procedures, for example, appraisals and sickness monitoring.

**Payroll** - there is evidence that there have been a number of inaccuracies in processing payroll which have led to employees pay being wrong. This was flagged up by a number of high profile errors and an internal audit of the implementation of the pay review. This has led to concerns about the overall performance of the Payroll service.

It has now been agreed that a suite of regular management information reports on people management issues be presented on a quarterly basis to HR business partners, portfolio joint consultative committees and portfolio leadership teams. The aim of this is to review actions, feedback inconsistencies, challenge and agree actions as needed. This will ensure and improve consistency of approach.

As a result of our concerns an external audit of payroll has been commissioned which reported in May. The external audit has reviewed the finding of internal audit, reviewed the implementation of the pay review in relation to payroll and reviewed payroll processing. The draft report proposes a number of actions to strengthen processing; these will be actioned once the final report is presented. In addition to this audit there is a review of HR and payroll systems taking place which will report in July 2011.

We have been advised on the implications of the result of 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 and will monitor their implementation and operation as part of our next annual review.

**Signed:** ........................................................................................................................................
Laraine Manley – Executive Director Resources (Section 151 Officer)

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

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