Staffordshire County Council

Staffordshire County Council

Annual Governance Statement – 2017/2018

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1. Scope of Responsibility

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. We have approved and introduced a Code of Corporate Governance. You can get a copy of the code from our website at www.staffordshire.gov.uk.

This statement explains how we have followed the code and also meets the requirements of the Accounts and Audit Regulations 2015, Regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

2. What is Governance

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- Leadership and management
- Performance and risk management
- Stewardship of public money; and
- Public engagement and outcomes for our citizens and service users.

3. What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvement in the way that it operates
- Enables human, financial, environmental and other resources to be managed efficiently and effectively
- Properly maintains records and information
- Ensures its values and ethical standards are met.

4. What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarizes the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment.
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any key governance matters identified from this review and provides a commitment to addressing them.

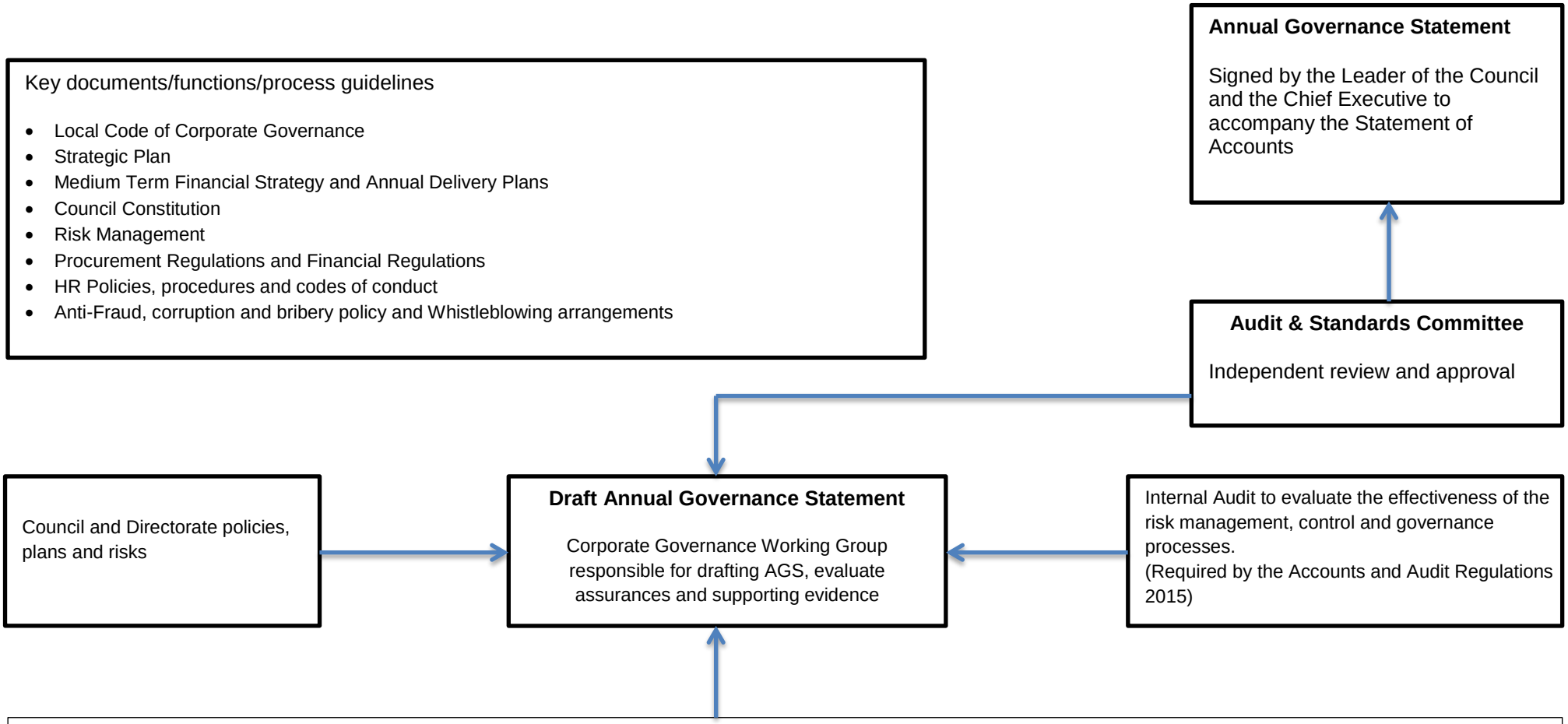
The Annual Governance Statement reports on the governance framework that has been in place at Staffordshire County Council for the year ended 31st March 2018 and up to the date of approval of the Statement of Accounts. It should be noted however that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. We have had the governance framework in place from 1 April 2017, and up to that date, we approved the Statement of Accounts.

5. What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. An assurance framework is the structure within which Members and Senior Management identify the principal risks to the Council meeting its key objectives and through which they map out both the key controls manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

6. What is the Council's Governance Assurance Framework?



Provision of ongoing assurance on adequacy and effectiveness of controls over key risks								
Performance Management and Data Quality	External Inspections – e.g. Ofsted, Care Quality Commission)	Financial Control Assurance (Section 151 Officer)	Legal and Regulatory Assurance (Monitoring Officer)	Members' Assurance	Internal Audit	External Audit	Risk Management	Assurances by Directors/Risk Owners

7. How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

- Reviewed the Council's existing governance arrangements against the revised CIPFA/SOLACE 'Delivering Good Governance in Local Government framework – 2016 Edition good practice guidance'
- Updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the revised seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate good governance
- Assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

8. How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements including our system of internal control. Our review of how effective our systems and procedures are is supported by the work of the Corporate Governance Working Group and the Chief Internal Auditor's annual report. The review also includes comments made by the External Auditor's and other review agencies and inspectors.

This review found that we had all the necessary parts of the framework in place. The particular areas that have led to this conclusion are described in more detail below

- The annual review of the code of corporate governance has been carried out in line with the requirements of the CIPFA / SOLACE document entitled "Delivering Good Governance in Local Government: Framework 2016" , the Corporate Governance Working Group are confident that current documents and processes represent an effective governance framework.
- The review of actions aimed at improving our arrangements for corporate governance has confirmed that we have made good progress in addressing the key issues raised in the 2016/17 Annual Governance Statement. Where appropriate these have been carried forward into the 2017/18 statement.
- The Chief Internal Auditor's annual report 2017/18 which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides and opinion on the effectiveness of these arrangements. Internal Audit gave an adequate assurance opinion has been given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2017/18. This year has been dominated with the replacement of both the Council's Financial and HR systems which was a substantial undertaking and commitment spanning much of 2017/18. This area was considered by Internal Audit as a high risk during the year, and a significant amount of audit work has been undertaken during the year to help support the design and implementation of a robust control environment. Although My HR and My Finance were launched successfully in September 2017 and November 2017 respectively, our early audit work carried out as part of the SAP Replacement Programme has highlighted a number of high level issues in relation to the system security arrangements for both My HR and My Finance, which has resulted in these areas being awarded a limited assurance opinion in 2017/18. It should be noted that whilst manual controls are in place to mitigate some of the risks identified, the control environment for both systems will be improved significantly when the high priority recommendations have been implemented and will help to ensure that the

Council's IT Systems are utilised to optimum levels . The changing payroll control environment for the Council's core payroll has identified a number of areas for improvement, which concluded in the system being awarded a limited assurance opinion this year. Although the schools compliance element of the assessment has achieved the benchmark, there are still some areas of non-compliance in relation to payroll controls which have been identified and further recommendations have been made to address these. The direction of travel for a few elements within the main financial systems have not been maintained, in particular, the level of outstanding debt continues to grow, exceeding the Council's own internal target, resulting in further improvements to the debt recovery process being required.

A number of other audit reviews during 2017/18 have identified high level issues which have resulted in these systems being awarded limited assurance opinions. The overall number of limited assurance opinions being awarded has increased since last year. Whilst one reason is the implementation of two key systems and associated changes to process, another reason may be due to issues of capacity within the Council to undertake key activities. It is important that the key actions identified in these audits are addressed, implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will be a key focus for the 2018/19 Internal Audit Plan.

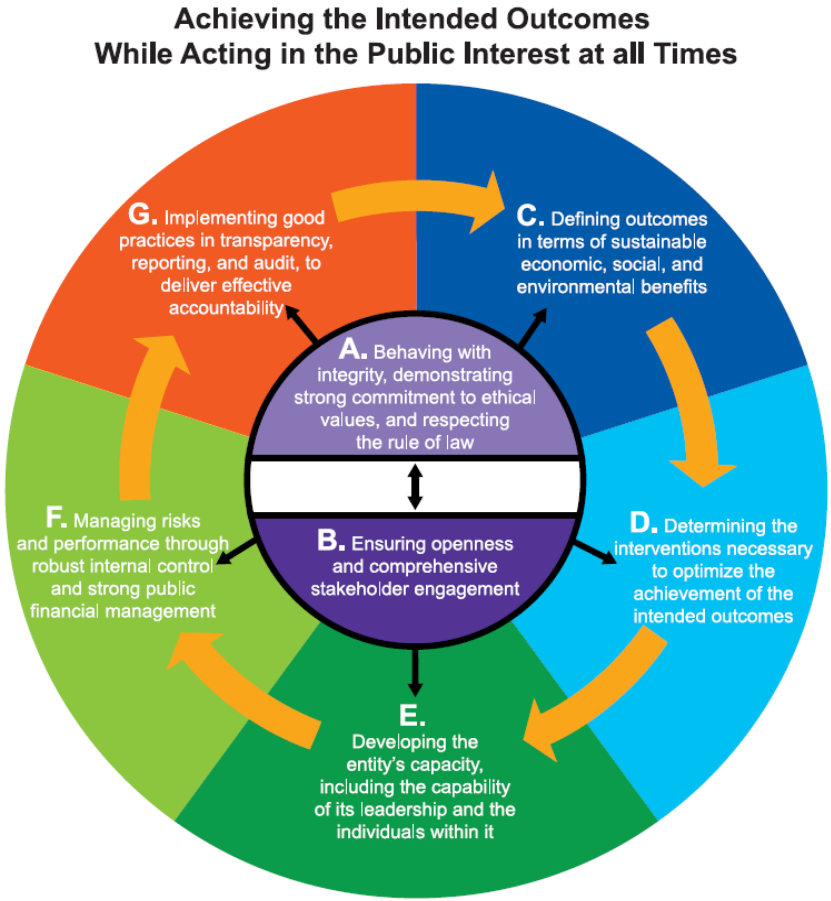
- An unqualified opinion from the External Auditor was issued on our final accounts for 2016/17. This means that our financial position was presented fairly and in line with all laws and regulations which apply. The Auditor did not find any significant weaknesses in our accounting and control systems during the 2016/17 audit, and there were no examples of unusual spending, fraud or misconduct, or poor standards of financial openness.
- Details from other review agencies and inspectorates
- Annual review of how effective our internal audit is. As reported to the Audit and Standards Committee as part of the Annual Outturn report, we have an effective system of internal audit in place, as measured against set conditions, which include:

  - how well we follow the Public Sector Internal Audit Standards together with the Local Government Application Note;
  - our main performance results; and
  - formal feedback from the External Quality Assessment Assessor following their review in January 2018

- During 2017/18 the Monitoring Officer and the Chief Finance Officer did not have to use their official powers.
- We have effective processes in place. Our scrutiny arrangements provide for Select Committees, the responsibilities of which reflect our focus on key outcomes.
- We have a developing system of confirming that our controls are working via Corporate Directors. Where necessary, we implement appropriate action plans to strengthen our controls.
- Our Audit and Standards Committee did not investigate any complaints about the behaviour of our elected members. The Ombudsman did not uphold any complaints about governance issues. A number of whistleblowing issues are being considered by the Monitoring Officer in relation to Corporate HR matters and will be reported to the Corporate Governance Working Group in due course**.**

9. What are the key elements of SCC's Governance Framework?

The Council aims to achieve good standards by adhering to the seven code principles below, which form the basis of the Council's Code of Corporate Governance.



The following page provides a summary of actions and behaviours undertaken by the Council in relation to each of the seven core principles and associated sub principles.

10. Single Sheet Framework

Governance Framework - Principles, Statutory Obligations and Organisational Objectives

A- Adherence to Ethical Values and Respecting the Rule of Law
B- Ensuring openness and comprehensive stakeholder engagement

Implementing Local Vision	Taking Effective Decisions	Working Together to achieve a common objective	Developing Members and Officers	Adherence to Ethical Values	Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents/Annual Review/Production

- Annual Outturn Performance and Finance Reports
- Annual Information Governance Statement
- Corporate Information Security Policy
- Corporate Property Strategy
- Corporate Risk Register
- Delegations from/to Directors
- Business Plan
- Innovation & Efficiency Board
- ICT Strategy
- Medium Term Financial Strategy
- Members Allowances Scheme
- Prudential Code & Treasury Management Strategies
- Risk Management Policy Statement
- Statement of Accounts
- Strategic Plan
- Staffordshire Strategic Partnership Priorities

Key Documents Adhoc Review/Production

- Business Continuity Plans
- Change Management Framework
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Procurement Regulations
- Equality and Diversity Information
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Integrity Policy Statement
- Internet Transparency Pages
- Member/Officer Relations
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Partnership Policy
- Performance Management Framework
- Record of Decisions
- Whistle Blowing Policy

Contributory Processes/ Regularity Monitoring

- Annual Governance Statement
- Audit and Standards Committee
- Budgetary Accountability Statements
- Corporate Governance Working Group
- Corporate H&S Process
- Corporate Intranet
- Council Tax Leaflet / Information
- Customer Feedback Process
- Director of Finance and Resources
- Consultative Forums
- External Audit
- Finance Business Partners
- Go Training Platform
- H&S Champion
- Independent Remuneration Panel
- Inspectorate Reports
- Internal Audit
- Job descriptions
- Job evaluation process
- Law & Governance
- Member training
- Monitoring Officer
- MPC process
- Scrutiny Framework
- Staff Induction
- Schedule of Council Meetings
- Staff Surveys
- Staffordshire Web
- Organisational Development
- Safer Recruitment

11. What are the key roles of those responsible for developing and maintaining the Governance Framework?

The Council	• Approves the Strategic Plan • Approves the Constitution (including Procurement Regulations and Financial Regulations). • Approves key policies and budgetary framework
Cabinet	• The main decision making body of the Council • Comprises nine Cabinet Members (including the Leader and Deputy Leader) and one Support Member who have responsibility for particular portfolios
Audit & Standards Committee	• Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control • Promotes high standards of member conduct • Approves the Annual Statement of Accounts and Annual Governance Statement
Scrutiny Committees	• There are four Select Committees aligned to the Council's corporate priorities • They hold Cabinet and Officers to account and scrutinise performance
Chief Executive & Senior LeadershipTeam	• Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council in the development of future policy and budgetary issues • Oversees the implementation of council policy
Chief Financial Officer 151)	• Accountability for developing and maintaining the Council's governance, risk and control framework • Contribute to the effective corporate management and governance of the Council
Monitoring Officer	• To report on contraventions or likely contraventions of any enhancement or rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise Members on the interpretation of the Code of Conduct for Members and Co-opted Members • Overall responsibility for the maintenance and operation of the confidential reporting procedure for employees (whistleblowing) and contributes to the effective corporate management and governance of the Council
Internal Audit	• Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework • Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity • Makes recommendations for improvements in the management in risk
External Audit	• Audit/review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding in the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)
Managers **Employees**	• Responsible for developing, maintaining and implementing the Council's governance, risk and control framework • Contribute to the effective corporate management and governance of the Council • Personal Responsibility for their own actions and to ensure compliance with policies and procedures of the Council.

12. How has the Council addressed the governance improvement actions from 2016/17?

The Annual Governance Statement 2016/17 contained the following key actions. Details of the issue and how it has been addressed are provided below:

Review Reference	Governance Issue	Target Date	Progress as at March 2018
Annual Governance Statement 1	Continue to work with our Partners to implement the Sustainability and Transformation Plan (STP) and Better Care Fund (BCF) to deliver greater integrated Care for the residents of Staffordshire.	Ongoing	SCC is an active partner in the STP. The BCF Plan is being implemented and we are making progress towards the target to reduce the delayed transfers of care. We are considering opportunities for joint commissioning with the CCGs (Clinical Commissioning Groups) SSOTP and SSSFT to merge to become Midlands Partnership NHS Trust and provide re-ablement, OT and social care assessment and case management under a Section 75 agreement. Governance and performance management will continue and the arrangements will be reviewed as part of new MTFS savings.
Annual Governance Statement 2	To continue to undertake large scale transformation to address the continued financial pressure facing the Council and to ensure appropriate governance processes are put in place.	Ongoing as part of the MTFS process	The focus continues to remain on ensuring that the Council has a robust Medium Term Financial Strategy which addresses the significant financial pressures it is currently facing. This will continue to present challenges in the year ahead.
Annual Governance Statement 3	Ongoing monitoring (in conjunction with Partners) of the opportunities for devolution from Government particularly around Business Rates and the repatriation of funding and powers from the EU	Ongoing	A key strand of the Council's Strategic Plan to deliver value for money to residents and businesses includes lobbying Government to secure greater funding and responsibility to act on the issues that matter most to Staffordshire people.
Annual Governance Statement 4	To monitor the implementation of the new operating model based on the key enablers, which will enable the Council to reinvent how it commissions and provides services so that it has a sustainable and self-financing future.	Ongoing	Work has continued during 2017/18 to develop the key enablers operating model further. This has seen the emphasis move to focus on the development of the digital agenda, becoming digital first whilst further enhancing the people

			helping people project. These workstreams will help to ensure that the Council is able to provide a sustainable and self-financing future.
Annual Governance Statement 5	To review and update the various Schemes of Delegation operating within the County Council to ensure they continue to reflect the requirements of the Council.	Ongoing	Work has progressed in updating the various Schemes of Delegation operating. A substantial review of the arrangements for procurement was undertaken as part of the implementation of the My Finance review. This has resulted in the levels of authority for incurring expenditure being revised and financial limits being reduced from those previously in operation.
Annual Governance Statement 6	To review the detailed governance arrangements for Property which incorporates the Strategic Property Partnership and the Corporate Property Strategy.	Completed	A property sub-committee has been established, detailed terms of reference have been prepared and all decisions taken are reported to next available Cabinet for information.
Annual Governance Statement 7	Fully implement the replacement Financial and HR/Payroll systems (MyFinance and MyHR) and embed the new procurement /financial regulations into the organisation. Streamlined processes and procedures will help to ensure uniformity across the organisation.	Completed	The County Council has implemented two new systems during 2017/18; a finance system called My Finance and a HR system called MyHR (delivered through Liberata). To manage the transition, a governance structure was been established. The SAP Replacement Programme Board oversees the work of the steering group. Regular updates were reported to Cabinet and Senior Management. Detailed training material was produced and cascaded through the Council via the Go on line training platform and the Change Champion network. Revised procurement regulations were also produced which were enforced through the operation of the My Finance system.
Annual Governance Statement 8	To review Business Continuity arrangements to ensure they remain sufficiently resilient given the changing and emerging nature of potential risks in this area.	Ongoing	Work has progressed in this area particularly in relation to potential cyber risks including undertaking briefings to the Senior Leadership Team and the Audit & Standards Committee (specifically in relation to Cyber Security). Given

			the constant changing nature of risks work continues to ensure that the Council's response remains robust.

13. What are the Key Governance Matters for 2017/18?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2018/19.

Review Reference	Governance Matters identified and action to be taken	Target Date	Lead Officer
AGS 1	To continue to work with the various NHS bodies as part of the Sustainability and Transformation Plan in order to improve the health and care provision within Staffordshire.	Ongoing	Director of Health and Care
AGS 2	To continue to undertake transformational change in order to address the significant financial pressures facing the Council, whilst meeting statutory requirements.	Ongoing	Director of Finance and Resources
AGS 3	To commence the transformation of Children's Services through the place based and community model to better manage demand within the Children's system.	March 2019	Director of Families and Communities
AGS 4	To ensure that the Council has sufficient capacity and capability to deliver transformational change as well as securely delivering on business as usual processes against the backdrop of ensuring a balanced Medium Term Financial Strategy.	Ongoing	Chief Executive and Senior Leadership Team
AGS 5	To fully explore the opportunities offered via the digital and community enablers to deliver transformational change across all services provided by the Council.	Ongoing	Chief Executive and Director of Families and Communities
AGS 6	To develop a values led model of workforce engagement and development that ensures the Council is able to meet the challenges, skills and cultural requirements needed as it continues to transform.	March 2019	Chief Executive and Director of Strategy, Governance and Change
AGS 7	To conclude the review and update of the various Schemes of Delegation operating within the County Council to ensure that they reflect the requirements of the County Council.	December 2018	Director of Strategy, Governance and Change

AGS 8	Ongoing review and monitoring of Business Continuity arrangements, including those of our key partner providers to ensure that they are sufficiently resilient given the changing nature of potential risks in this area.	Ongoing	Director of Strategy, Governance and Change
AGS 9	To fully implement all internal audit recommendations, included in limited assurance reports, identified by Internal Audit as part of the suite of reviews on the replacement Financial and HR/Payroll systems (MyFinance and MyHR) as part of the 2017/18 plan, thereby strengthening the control environment in these areas.	March 2019	Director of Finance and Resources

14. Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas outlined at paragraph 13. Over the next year we will be taking steps to tackle the issues listed above, so we can further improve our governance arrangements. We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Signed: _____ Signed: _____

Philip Atkins
Leader of Staffordshire County Council

John Henderson
Chief Executive of Staffordshire County Council

Date: _____ Date: _____