



Annual Governance Statement - **DRAFT**
Worcestershire County Council 2017/18

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Further information about Worcestershire County Council can be found at:

www.worcestershire.gov.uk/

1. Introduction

Worcestershire County Council provides key services to over half a million residents, and our role is to improve Worcestershire as a place and help people to find the solutions they require to the problems they face. We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

Each year the County Council reviews its governance arrangements and we publish an Annual Governance Statement, in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (The Framework). This review gives assurance that:

- ▶ our business is conducted in accordance with all relevant laws and regulations
- ▶ public money is safeguarded and properly accounted for
- ▶ resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

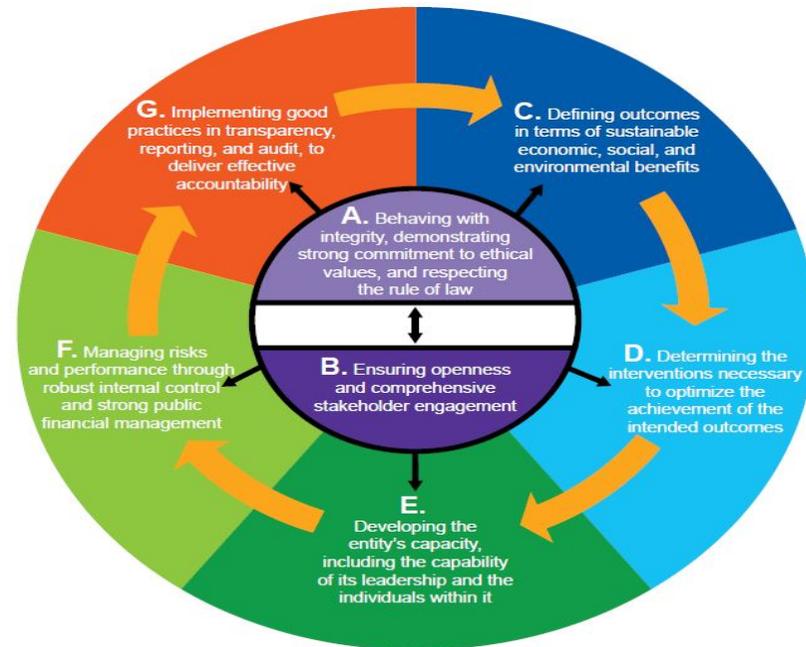


Figure 1 CIPFA's principles of good governance in the public sector

2. The governance framework

The CIPFA/SoLACE governance framework comprises systems and processes for the direction and control of the County Council and its activities through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Set out below are the activities carried out by the County Council which contribute to our delivery of the seven principles in the CIPFA/SoLACE Framework during 2017/18.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

We have arrangements in place to provide assurance that our values are upheld and that members and officers demonstrate high standards of conduct and behaviour.

These include:

- ▶ Code of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing);
- ▶ The inclusion of ethical values in policies and procedures for all areas including procurement and partnership working
- ▶ Complaints Procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible.
- ▶ A commitment to equality of opportunity for all citizens that celebrates the diversity of all residents. This is integral to everything we do including policy development, service delivery and partnership working to ensure we meet the Public Sector Duty as set out in the Equality Act 2010 and that we do not unlawfully discriminate with services we deliver.
- ▶ Our Constitution sets out the conditions to ensure that all officers, key post holders and members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our residents and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, and protocols on member / officer relations are documented.

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 the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The County Council has approved the requirements of the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016, and a number of specific strategies and processes for strengthening corporate governance such as the Balanced Scorecard.



Our Balanced Scorecard is used to show the relationship between the intended outcomes of the Corporate Plan - Shaping Worcestershire's Future with the vital finance, workforce and process measures that support their delivery. The Balanced Scorecard is available to the public via the County Council's website to improve accountability to local communities. Performance is

measured and reported internally on a quarterly basis and publicly every six months.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

The Chief Executive and Strategic Leadership Team very much value and are committed to acting on staff feedback. The County Council has an annual staff survey and Staff Involvement sessions, the results of which are shared and staff are involved in issue resolution arrangements.

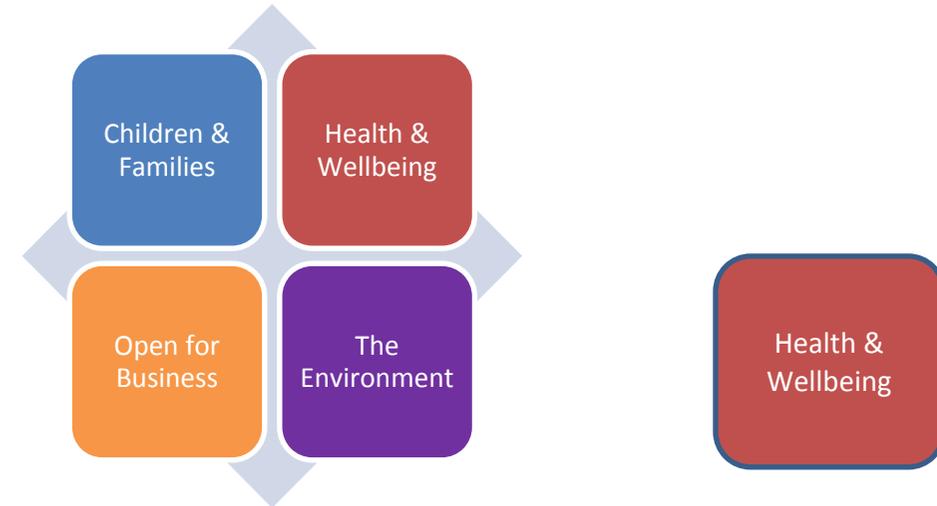
Throughout 2017/18 the County Council's "Have Your Say" Roadshows have enabled Worcestershire County Councillors and Officers to actively engage with members of the local community. Feedback from these sessions helps to inform the council's four corporate priorities: supporting Children and families, promoting Health and Well Being, protecting the Environment and championing Open for Business.

We are registered as a data controller under the Data Protection Act as we collect and process personal information. We have procedures in place that explain how we use and share information and arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office.

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

We are aiming to become a financially self-sufficient Council. To achieve this aim, we will promote and support businesses in the County, businesses looking to relocate to the county and those businesses we work closely with.

We hold four key priorities that will help us shape the future vision for Worcestershire



Children & Families

Open for Business

It is an exciting time to be doing business within Worcestershire with major current and future planned improvements in workforce skills, employment, infrastructure and productivity.

The Environment

With a strong focus on improving outcomes for the children, young people and families of Worcestershire we have been enabled 90% of our schools to achieve a good or outstanding rating by Ofsted, with 70% of young people achieving five or more good GCSE's and facilitated an increase in the number of young people moving successfully into employment. However, we will strive for continuous

improvements in these areas and our providers are key in achieving this.

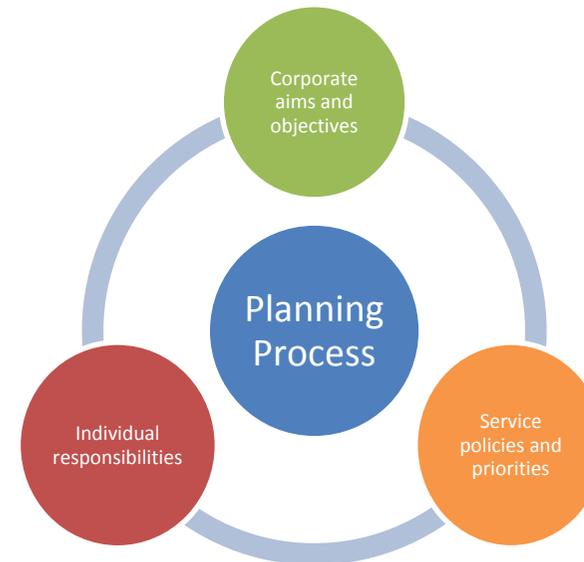
Worcestershire's environment is one of our key features and is crucial to the success of Worcestershire's tourism economy, whilst also providing an attractive place to invest for business. We have a strong commitment to improve our transport networks and this will require equal commitment from local innovative companies.

By working with local partners we can ensure that the residents of Worcestershire are healthier, live longer, have better quality of life and remain independent for as long as possible. In order to achieve this, we must ensure that we are working with good quality care providers with a strong focus on outcomes, not just outputs.

All Services have plans in place which correlate with the budget approved by the County Council and the key outcomes contained in the Corporate Plan. Management of these plans varies by service, but includes key performance indicators, ongoing outcome monitoring and reports to management teams and committees as appropriate

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

The County Council's planning process works to link all elements of delivery.



The Corporate Plan – Shaping Worcestershire's Future, 2017 – 2022, is a single document setting out the County Council's vision and overall strategic direction.



Against each key area of focus the Plan identifies a number of key aims and targets, which are managed through the Balanced Scorecard. Responsibility for achieving these lies with individual directorates, and relevant aims and targets are included in individual service delivery plans.

Progress against the Corporate Plan - Shaping Worcestershire's Future is monitored and reported to councillors on a regular basis.

Updates take account of achievements against the Plan and any new information that needs to be included.

Statutory plans, as prescribed by Central Government, and Service Delivery Plans, which cover areas of service not covered by statutory plans, provide strategic direction and contain aims and objectives for individual services.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Our vision is to drive change, develop talent and optimise potential. Our role as managers and leaders is to identify, develop, motivate and retain the talent potential within the workforce to allow it to be future fit. We believe that by reviewing the talent and potential of our workforce we will better understand and identify the potential we can develop over the coming years

Our Corporate Plan "Shaping Worcestershire's Future" builds on the following key theme identified within the 2015 Future Fit Corporate Plan:

"Investing in and growing the talent within our organisation at the same time as dealing with poor performance to ensure we continue to have a workforce that is fit for the future".

We believe that by reviewing the talent and potential of our workforce we will better understand and identify the potential we can develop over the coming years. By establishing clearer and longer term workforce requirements and priorities, talent strategies can be developed to address supply vs demand.

Staff development is a crucial component of the Talent Management Programme. Development and support opportunities have been designed to enable individual employees to become "the best they can be" and help prepare them for emerging opportunities whether as a future manager or leader, senior manager, Head of Service or Director.

As a County Council, our main goal is for people to feel that Worcestershire is a fantastic place in which to live and work and making that a reality.

So an essential part of what we do is to listen to our residents – communities, service users and businesses – and act upon what they tell us is important to them.

In order to deliver these objectives, we rely on our staff to carry on the great work they already do on a daily basis which is underpinned by Our People Values:

- **Customer Focus** - "putting the customer at the heart of everything we do"
- **'Can do' Culture** – "being proactive to achieve excellence"
- **Freedom within Boundaries** – "courage to make constructive change"

This philosophy and way of working has shaped our aspirational and ambitious Corporate Plan, which is based on feedback from some of the most far-reaching consultations we have ever carried out.

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

Risk management is about the identification, analysis and control of threats or events that adversely affect the achievement of the County Council's strategic and operational objectives. It is also the successful management of the controlled environment in which the decision making process is undertaken, such that positive risks are taken in order to innovate and improve service provision. The Risk Management Strategy details the methodology for evaluating corporate risk management arrangements.

The County Council's anti-fraud and corruption strategy embeds effective standards in countering fraud, corruption and theft. The

Director of Finance is responsible for ensuring this strategy is applied and that the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is followed. The County Council's Money Laundering Strategy was approved for 2017/18. Having considered all the principles, we are satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available to spend. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practice and decision-making.

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

We endeavour to always be open and transparent. We have a forward plan which provides information about all of the decisions that the County Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the County Council is planning to take, and the decisions taken.

Overview and Scrutiny Panels act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all Overview and Scrutiny Panels are defined in the Constitution.

The Audit and Governance Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity.

Each year we publish information on our website outlining how we spend the County Council's budget

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit. The County Council's internal audit service is provided by Warwickshire County Council whose Internal Audit and Insurance Manager is designated as the Head of Internal Audit and has regular formal meetings with the directors and Director of Finance. Following last year's self-assessment against the PSIAS, an External Quality Assessment of the Internal Audit shared service was completed in February 2018 resulting in positive feedback on the quality of internal audit provided to its clients.

Political structure

The County Council has adopted a Leader and Cabinet executive governance model. The executive consists of the Leader of the County Council and other appointed councillors and is described as the Cabinet. The Cabinet is responsible for most day to day County Council decisions. Cabinet makes decisions in line with the overall policies, priorities and budget set by the County Council. Political decisions on executive functions are generally taken by the Cabinet collectively. No individual members of the Cabinet have (as yet) standing general delegated powers to make formal decisions within their portfolio on behalf of the Cabinet, but an increasing number are being given specific delegated powers by the leader or Cabinet on particular topics. Cabinet also considers and responds to reports and recommendations from the Overview and Scrutiny Performance Board.

Cabinet members have specific areas of responsibility:

- Finance;
- Environment;

- Communities;
- Children and Families;
- Education and Skills
- Economy and Infrastructure;
- Adult Social Care;
- Health and Well-being;
- Highways;
- Transformation and Commissioning

The full Council comprises all elected members and is responsible for agreeing the overall Policy Framework for all services, including the County Council budget. The Council also elects the Leader of the County Council and establishes the other (non-executive) committees and panels of the Council. The Chief Executive, Head of Legal & Democratic Services and the Director of Finance can also submit reports to the full Council.

The Overview and Scrutiny Performance Board is made up of eight Councillors who are not on the Cabinet, plus two Church Representatives and two Parent Governor Representative (for Education matters). Its main role is to assist in policy development, scrutinise the work of the County Council and agree the scrutiny programme for endorsement by full Council. The Board will commission scrutiny through itself, the Scrutiny Panels or time-limited Scrutiny Task Groups.

The Audit and Governance Committee supports effective corporate governance and gives assurance to the County Council and the public on financial and performance issues, risk management and other relevant controls. The Audit and Governance Committee considers and approves the annual statement of accounts and the annual governance statement on behalf of the County Council,

considers the audit plans of both internal and external auditors and comments on their reports.

Members are covered by a Code of Conduct that sets out the rules governing their behaviour. The Code covers areas of individual behaviour, disclosure of interests and withdrawal from meetings where Members have relevant interests. The Standards & Ethics Committee promotes and maintains high standards of conduct by Members, and can adjudicate on relevant complaints. Members register their Disclosable Pecuniary Interests and all Declarations of Interest are recorded.



3. Review of Effectiveness

The effectiveness of the governance framework is informed by assurances provided by Directors and the Director of Finance within the County Council who have responsibility for the development and maintenance of the internal control environment, the comments made

by the external auditors and other review agencies and inspectorates and also the work of the internal auditors. This process is delivered as part of the Corporate Risk Management Strategy.

Each directorate has a risk register which records major risks and assesses the potential impact of those risks. Registers are reviewed and updated during the year to reflect changes in risk. Operational controls are used on a day-to-day basis to control the delivery of services, none of which disclosed any significant weaknesses in control during the year.

Statutory duties placed upon the Monitoring Officer and the Director of Finance require them to draw to Members' attention improper practices or financial imprudence. The Audit and Governance Committee receive reports on those audits that result in a limited opinion. In 2017/18 two audits, Direct Payments (Adults) and Accounts Payable, were given limited assurance and it is anticipated that three further reports (Bank Reconciliation, Financial Systems Access Control and Accounts Receivable) will also be issued as limited reports. In addition during 2017/8 the Committee received reports on three limited opinion audits, (Malvern Link & Foregate Street Station, Bromsgrove Rail and Cash Handling at Adult Social Care Establishments), relating to audits undertaken in 2016/7 but which were not finalised until 2017/8. Actions are being taken to address weaknesses identified and implementation of new financial systems has been identified as a significant governance issue in both 2016/7 and 2017/8.

The review of governance, risk and control arrangements by the internal audit section is continuous. The implementation of new financial and HR payroll systems has caused some issues with financial monitoring, particularly during the first quarter of the year, however regular budget monitoring reports have been presented during the year and have confirmed that expenditure is within the County Council's cash limits.

The County Council has contractual arrangements to govern its relationship with the majority of the organisations with which it deals.

These arrangements are reviewed and managed by contract managers and directorate management teams.

4. Significant Governance Issues

Issues identified as a result of our review process are detailed below, including an update on progress for issues raised in 2016/17.

Update on progress for issues raised in 2016/17:

1) Sustainable Improvement in Children's Services

A Service Improvement Plan was put in place in early 2017 and has been regularly monitored and reviewed since then. Progress has been recognised in the series of Ofsted monitoring visits that took place during the year. The plan has been reviewed and updated for 2018 with a set of focused work programs to support it. Whilst this remains a risk (see following section), there is now agreement to establish an Alternative Delivery Model (ADM) from April 2019.

This remains a governance issue for 2018/19.

2) Home to School Transport

Work took place to review the reporting and monitoring of activity information to ensure that it was as robust as possible. As a result of this work the level of financial risk was reduced. This will be kept under active review to ensure that the position is maintained.

This no longer remains a governance issue as the level of risk has reduced.

3) Migration of Human Resources and Finance Systems

There were a number of issues with the migration to the new HR and Finance systems. Recovery plans were put in place and the position improved significantly during the course of the year. An independent review was carried out by The Society of IT

Managers (SOCITIM) who made several recommendations. There remain some residual issues which are impacting on business of the County Council and which will be worked through.

This therefore remains a governance issue for 2018/19.

4) Ensuring delivery of the County Council's vision and corporate objectives, in line with the Medium Term Financial Plan

The County Council has achieved a balanced budget for 2017/18. As is often the case not all planned savings have been achieved. Some alternative savings have been found and use has been made of reserves. The County Council's budget planning process for 2018/19 has involved review and challenge of continuing planned savings and has set a balanced budget.

Given the scale of austerity facing local government this remains a governance issue going into 2018/19.

Whilst these four areas have not impacted on the County Council's overall control environment in 2017/18, further development continues to ensure the County Council is able to strengthen the effectiveness of its control environment in these areas.

2017/18 issues flowing into 2018/19 identified as a result of our review process:

The County Council seeks to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives.

The review of effectiveness has informed identification of the following key challenges, along with the actions taken / proposed to take to detail with these issues:

1. Sustainable improvement in Children's Services.

As noted in the 2016/17 AGS the response to the statutory improvement notice in Children's Services remains live. An improvement plan and plans to establish an alternative delivery model are well underway with regular programme monitoring and independent checking. It is envisaged that this will thus remain a key risk for the County Council to address in 2018/19, although at this stage response is being well managed and mitigations are in place. As is being seen in most councils across the country, demand pressures within children's social care continue to be a risk for the County Council due to the rise in numbers of children looked after and the complexity of need within the looked after children population.

Children's Services will also be responding to the outcomes of the 2017/18 Special Educational Needs and Disabilities (SEND) inspection.

2. Migration of Human Resources and Finance System.

Implementation of the Independent review actions recommended by SOCITM are well progressed. Whilst 2017/18 saw responses to immediate issues following Go Live of the General Ledger system (E5) and HR system (iTrent), the longer term issues are being addressed. The County Council is now in a period of improvement and transformation with its partner (Liberata), and progress is being monitored regularly by the County Council's Audit and Governance Committee.

3. Ensuring delivery of the County Council's vision and corporate objectives, in line with the Medium Term Financial Plan.

The County Council has set a balanced budget for 2018/19 as well as an indicative longer term financial plan. However, at this time there is considerable uncertainty over the funding for local government. It is expected that over the summer of 2018 there will be further clarity and the County Council will need to respond accordingly. As such this potential risk needs continual review and councillors will be kept abreast of progress in delivering the 2018/19 budget and the funding position for future years through

Cabinet monitoring reports in 2018/19. In addition, following a review by Overview and Scrutiny of a CIPFA resilience review officers will be working closely with councillors to ensure greater engagement and levels of debate in the budget setting process. In addition to this the County Council's maintained school's balances have again reduced and with the changes in funding formula this is an area of potential risk that requires further review.

4. Adult Social care - Operational Pressures

The local health and social care economy is under considerable demand pressure. As well as financial implications this is seen in particular pressure points such as delayed transfers of care from hospitals and lack of capacity in specific sectors of the care market. The County Council is actively working with its partners in the Health and Independent Sectors.

5. Staff capacity, recruitment and retention: The County Council has undergone a significant change in its Senior Leadership Team over the last six months. There will inevitably be a period of settling and challenge which may lead to further changes. The risk of staff retention and workforce planning thus needs to be considered and mitigated as appropriate during the next 12 to 18 months as part of any change programme to ensure the right capacity is maintained and staff development is maximised. Staff capacity may be impacted by national health issues such as Human Pandemic Flu. Epidemiological modelling suggests that an outbreak is possible at any time and its impact is likely to be severe.

5. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective. We propose 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 during the year and as part of our next annual review and through the County Council's Corporate Risk Management Group.

Paul Robinson
Chief Executive

Date:

Simon Geraghty
Leader of the County Council

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Date: