

ANNUAL GOVERNANCE STATEMENT 2010/11

1 SCOPE OF RESPONSIBILITY

Salford 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, properly accounted for, and used economically, efficiently and effectively. The 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2 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 activities through which it accounts to, engages with, and leads the community. 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, 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 the Council's 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, as described below, has been in place at Salford City Council for the year ended 31st March 2011, and up to the date of approval of the annual report and accounts.

3 THE GOVERNANCE FRAMEWORK

The Council's control environment encompasses the strategies, policies, plans, procedures, structures, processes, attitudes, behaviour and actions required to deliver good governance for the people of Salford. The key elements of good governance arrangements in Salford City Council are:

Reviewing and Communicating the Authority's Vision

The Council's strategic objectives have been identified as Pledges, each underpinned by a number of specific targets. These have been aligned to establish a clear link between central government priorities, the priorities for the Council as identified with its partners, involvement of the local community, and the work of the Council.

Annually, the Leader of the Council publishes a Cabinet Workplan which sets out the political priorities for the year. The Council then produces and publishes a three year corporate plan embeds these political priorities and areas for improvement and is aligned with the Council's Pledges. This plan is reviewed on an annual basis.

Ensuring Quality Outcomes and Efficient Use of Resources

In 2010/11 all directorates produced business plans containing their key actions for the financial year in accordance with corporate business plan guidance developed as part of the Council's One Council Improvement Framework. Such guidance is annually reviewed with enhancements made as required. This review is undertaken by the Corporate Improvement Network on which representatives from all directorates are members.

The guidance on the production of annual business plans requires directorates to align the actions within their plans to both corporate and partnership objectives. This includes alignment with the Council's 7 Pledges (strategic, long term priorities) and the annual Cabinet Workplan (the annual priorities which enable achievement of the longer term Pledges).

Directorate business plans also detail the performance indicators for which directorates are responsible including national indicators and locally devised measures.

The Council seeks to obtain value for money through effective procurement arrangements. It is the intention of the Council to further enhance these arrangements by making the most of electronic tendering and the use of a procurement portal.

The procurement strategy sets out the aims and objectives for the Council's procurement effort. This is supported by a procurement manual and a business plan. A procurement capacity building programme is in place which delivers a comprehensive procurement training package to ensure that all appropriate officers are competent in this field.

The Council has an approved Risk Management Strategy that enables it to effectively assist the achievement of its objectives, alongside national and local performance indicators.

A corporate risk management framework has been produced that allows for the identification and management of the Council's risks. Members and Strategic Directors consider strategic risks, with operational issues devolved to directorate level. The strategic risks are also reviewed by the One Council Team.

A One Council Team (OCT) has the responsibility of ensuring the effectiveness of all of the Council's activities on behalf of the Chief Executive and Strategic Directors on the Corporate Management Team. The City Treasurer (Section 151 officer) is a member of this team.

The Council identifies efficiencies and monitors their implementation primarily through its budget strategy and monitoring processes. A "Think Efficiency" initiative under the direction of a Cabinet sub-group was established in 2008/9 and continued throughout 2009/10 and into 2010/11. This initiative provided greater focus and priority to the identification and delivery of efficiencies within the Council.

The 2010 Comprehensive Spending Review announced plans to reduce local government expenditure by 28% over the next four years. For Salford this has meant

that savings of almost £40m will be required in 2011/12, over three times the level of savings achieved by efficiencies in any single recent year and equivalent to the cumulative savings achieved over the past four years. During 2011/12 progress against this plan will be subject to monthly independent monitoring and reporting by the Internal Audit Team.

In order to achieve a balanced budget, 233 separate savings proposals were considered and approved by Budget and Efficiency Cabinet Working Group, Chaired by the Leader of the Council prior to the approval of the Budget for 2011/12 by the Council at its meeting on 2nd March, 2011. This programme of proposals totals £39.915m in 2011/12, rising to £46.735m in 2012/13 and £54.784m in 2013/14.

In 2009 the Council introduced a Capital Gateway process to provide improved scrutiny over new capital schemes, as well as reviewing ongoing programmes, this process was further refined in 2010. The scrutiny covers the bids' strategic fit and corporate alignment as well as financial affordability.

The Council's Portfolio Management Board plays a role in overseeing a diverse range of change across the Council, ensuring that new or emerging programmes and projects of change have sound business cases, suitable governance and controls in place to plan and support delivery; the Portfolio Management Board also plays a role in the Capital Gateway approval process, by ensuring new capital bids are robust, financially viable and have strategic fit organisationally.

More pieces of work are now being 'programme and project managed' using Salford's Change Management Method, with the major transformational priorities subjected to greater levels of governance and scrutiny via the Gateway and Portfolio Management Board, thereby improving assurance and increasing the number of strategic programmes and projects applying robust and systematic risk and benefits management strategies

Facilitation of Policy and Decision Making

The Council has agreed a Constitution that sets out how it operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, proportionate, transparent, and accountable. A decision was made in 2009/10 to appoint a "Strong Leader and Cabinet model" for the next four years and the Constitution was updated accordingly in July 2010.

There is a Scheme of Delegation that clearly sets out the levels at which decisions can be made. This was updated in 2010 to further strengthen spending controls as part of a review of discretionary spending.

Decisions taken under delegated powers are recorded electronically and are reported on a regular basis to the relevant Scrutiny Committee. Meetings of these committees are forward planned, publicised and open to the public.

The Forward Plan contains the key decisions that the Council proposes to make. The Forward Plan is published every month and covers the four months' period commencing on the first day of each month. The Forward Plan is available for public inspection 14 days before the beginning of each month.

Developing, Communicating and Embedding Codes of Conduct

Members have, in accordance with the Local Government Act 2000, adopted the National Code of Conduct. Training in the Code has been delivered to both Members of the Standards Committee and Members of the Council.

Employees are governed by a local code of conduct. There is a Members and Officers relationship protocol, which represents best practice.

Financial Management of the Council

The system of financial management within the Council is structured through Standing Orders and Financial Regulations which are in accordance with CIPFA's guidance. A framework of regular management information, administrative procedures (including division of duties), management supervision, and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.

Maintenance of the system of financial control is undertaken by managers at directorate and corporate level, with reports to Lead Members, Scrutiny, Cabinet and Council.

Expenditure on schools is a significant commitment for the Council. In previous years the financial management of each school within the Council was assessed, on a rolling basis every three years, against the requirements of the Financial Management in Schools (FMSiS). At the end of 2009/10, with the exception of one school, all schools which had been assessed had met the standard. In 2010/11 a programme of testing against the FMSiS was started however, in January 2011 the standard was abolished by the Government and the testing programme ceased. All schools tested during the year, before the abolition, met the standard.

Role of the City Treasurer as Chief Financial Officer

The Council complies fully with the principles of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) with the exception of the requirement within principle 1 that the Chief Financial Officer should be a member of the Leadership Team and have equivalent status to all other members of the team.

The City Treasurer as Section 151 Officer and Chief Financial Officer is a second-tier post with line management reporting responsibility to the Strategic Director for Customer and Support Services. As such the City Treasurer does not hold a position on the Corporate Management Team, which comprises the Chief Executive and strategic directors only, nor a standing requirement to attend Cabinet meetings. Nevertheless, the City Treasurer does have the right of unfettered reporting to the Chief Executive, Corporate Management Team and Cabinet as he requires and therefore in all other respects is able to fulfil all requirements of principle 1, and in particular the requirement of unfettered access and reporting.

Internal Audit and the Audit and Accounts Committee

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control and where relevant, making recommendations for improvement. The implementation of recommendations is subsequently checked by Internal Audit.

Internal Audit has direct access and reporting lines to all senior management, including the Chief Executive and Chair of the Audit and Accounts Committee. Internal Audit formally reports on its activity to the Council's Executive, providing an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

As part of the audit review cycle, Internal Audit undertakes a programme of reviews that cover the main financial systems.

The Audit and Accounts Committee meets on a regular basis, at least quarterly, to receive the reports of both Internal and External Audit and has the power to refer matters of concern to the Overview and Scrutiny Committees and to require a response.

The Audit and Accounts Committee reports its activities to cabinet on an annual basis.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulations

Strategic Directors are responsible for ensuring that they establish and maintain effective systems of internal control, complying with legislation, the Council's Constitution, Standing Orders, and Financial Regulations. This includes responding to recommendations made by Internal Audit, External Audit and other Inspectorates.

The respective roles of the Section 151 Officer and the Monitoring Officer ensure legality, financial prudence, and transparency in transactions.

The Council also places reliance on external assurance providers, such as the Audit Commission and OFSTED and any recommendations arising are acted upon and monitored through the scrutiny process. The Council has a public complaints procedure that allows the Local Government Ombudsman to investigate and report its findings. This ensures that lessons can be learned to prevent repeated occurrences.

The Standards Committee takes an active approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council's decision making processes.

Procedures for Whistle-blowing and for Receiving and Investigating Complaints

A strong ethical and performance framework is in place to enable officers and Members of the Council to operate effectively in their respective roles, which allows the pursuit of excellence in service delivery. The Council has formalised an Anti-Fraud and Anti-Corruption Strategy, which provides measures to enable confidential public and officer concerns to be raised with the Council.

The Council has an "Honesty Action" whistle-blowing hotline telephone number which is advertised both inside the Council and in the wider community. There is also an on-line fraud reporting form available on the Council's website.

The Council has an established Investigations Panel, whose primary role is to review and monitor progress in the investigation of cases of misappropriation and impropriety, and to ensure that such matters are managed with due regard to the Council's policies and procedures.

In addition, a formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Council.

Complaints made about the conduct of elected members, which may breach the Code of Conduct, are dealt with by the Standards Committee.

Ensuring Development Needs for Members and Senior Officers are met

The Council is committed to developing the skills of both Members and senior officers in order to enable a continuous improvement in the services provided.

All officers are covered by the Performance Appraisal system which ensures that their performance and development needs are reviewed on a regular basis. A full training programme is in place which links directly to the performance objectives for each grade of officer.

A full training programme for Members has been designed to ensure they have all the necessary skills and legislative training.

Engagement and Consultation with the Community

The Council is fully committed to community engagement and consultation. The Council works in close partnership with many community and voluntary groups to ensure effective delivery of its services.

Partners IN Salford is the local strategic partnership for the city and brings together people from the city's public, private, community, voluntary and faith sectors. Partners IN Salford have agreed a number of priority objectives and actions for 2011 - 2014 building upon the previous Salford Agreement. A Salford Place Board is now functioning, with all public sector agencies represented by their chief officer, and chaired by the Chief Executive of the City Council.

Partnership Arrangements

The Council currently delivers a wide range of services which often involve working in partnership with others, many of which involve considerable levels of funding.

It is a requirement of the Statement of Recommended Practice (SORP) 2006 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities."

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control within group activities and where relevant, making recommendations for improvement. The implementation of recommendations is subsequently checked by Internal Audit.

Work has also been undertaken to ensure that a strong control environment is in place by the partnerships' external auditors as part of their own financial reporting requirements.

4 REVIEW OF EFFECTIVENESS

Salford 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 effectiveness is informed by the work of the Strategic Directors within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council has invested heavily in reviewing its governance framework and takes seriously the requirement to demonstrate its effectiveness. All areas and suggested sources of evidence have been reviewed in accordance with the guidance issued on preparing this statement. Evidence has been gathered across all of the Council's directorates, and also in areas where the Council undertakes significant activities

through group relationships, to ensure that controls are operating effectively across all areas.

The process that has been applied in maintaining and reviewing the effectiveness of the system of governance includes:

- All Directorate Business Plans (actions and performance indicators) are monitored via directorate quarterly performance meetings with the Leader and Chief Executive of the Council.
- The Council operates Overview and Scrutiny Committees. Scrutiny Committees and Members can “call in” any decision that has been made but not yet implemented, to enable them to consider whether the decision is appropriate.
- An Audit and Accounts Committee is in place which is recognised as good practice. In line with CIPFA best practice guidance, the Audit and Accounts Committee performs an annual self-assessment of their own effectiveness and acts on recommendations identified.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate the annual work programme that is approved by the Audit and Accounts Committee. The quality of the Internal Audit processes is reviewed regularly by the Audit Commission who place reliance on the work carried out by the section.
- The Internal Audit Section is subject to regular scrutiny by the Audit and Accounts Committee who approves the annual plan and the audit work produced. The work of the Internal Audit Section is also subject to quality review by the directorates for whom the work is performed.
- Under the Accounts and Audit Regulations (2011) an annual review of the effectiveness of Internal Audit should be performed. This review has been conducted on behalf of the City Treasurer and found that the Internal Audit Team is operating effectively
- The Standards Committee, with an independent chair and five independent members, regulates and oversees the national code of conduct and the members’ and officers’ protocol.
- From April 2010 until his retirement in December 2010, the role of Monitoring Officer was held by the Strategic Director of Customer and Support Services. Since January 2011 the role of Monitoring Officer has been held by the Deputy Chief Executive. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect and also ensure high standards of ethical governance are maintained. The Monitoring Officer reports regularly to the Standards Committee and also has responsibility for ensuring lessons are learnt from corporate complaints and local ombudsman enquiries received.
- The One Council Team has responsibility and ownership of the Corporate Risk Management Strategy including the communications and reporting structure for strategic risk. Operational risk management is devolved to directorate level.
- The Audit and Accounts Committee have responsibility for overseeing the effectiveness of the Council’s risk management arrangements. The Strategic Risk Register is presented to this committee on a quarterly basis and the effectiveness of the actions taken to mitigate the risks are considered.
- The City Treasurer is the designated Section 151 officer and reports regularly on the discharge of those statutory duties.
- The Head of Audit is the responsible officer for money laundering reporting within the Council and also the Deputy Section 151 officer.

The Audit and Accounts Committee has been advised on the implications of the result of reviews of the effectiveness of the governance framework by our internal and external advisors and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

5 SIGNIFICANT GOVERNANCE ISSUES

In previous years, the Annual Governance Statement identified two items which required improvement, and the Council has taken significant action to address both these issues and in both cases progress has been made. However, both items remain as significant issues and will continue to be prioritised over the next year. In addition a third significant issue has been identified for this year. These three issues are:

Safeguarding of Children and Young People

One of the most significant issues facing the Council is the issue of the quality of children's safeguarding arrangements that were judged inadequate by Ofsted in May 2010. The Council was subsequently served a Notice to Improve by the Secretary of State and the consequent improvement programme is being driven by an independently chaired Safeguarding Improvement Board. The Council is currently in the process of implementing a major change programme within this area to implement enhanced safeguarding procedures. This programme of work will continue into 2011/12 with a detailed action plan which includes a complete restructure of the service. The programme will be assessed via a Peer Review in September 2011 within an overall improvement dialogue with the Department for Education.

Schools Budget Deficits

The Council is actively working with a number of schools in Salford to ensure that their focus remains on their budgets and in reducing budget deficits. All schools are expected to have formal plans for how their budgets will be spent and schools in deficit are required to show in their plans how they will move out of deficit within an acceptable period of time. It should be noted that, whilst this still remains an issue, these procedures have had the effect of reducing the overall level of schools' budget deficits within the Council. These monitoring procedures, which were in place for 20010/11, will continue to be reviewed during 2011/12 to ensure they remain effective.

Comprehensive Spending Review (CSR) Savings Programme

In addition to the two areas outlined which were raised in previous years a third significant issue has been identified. In order to ensure financial stability, whilst implementing the financial savings required to meet the outcome of the CSR, a Council-wide savings monitoring programme has been established. To provide further assurance, a continuous programme of audit testing is also in place.

Throughout 2011/12 independent monthly monitoring reports showing progress against the savings targets will be produced by the Internal Audit team. These reports will be presented to the Budget and Efficiency Cabinet Working Group, the Corporate Management Team and the Budget Scrutiny Committee.

During 2011/12 further work will be required, as part of a Cabinet strategic review to identify further savings which will need to be implemented for 2012/13 and beyond.

6 Leader and Chief Executive Statement of Assurance

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 as part of our next annual review.

Barbara Spicer
Chief Executive Salford City Council
Date 22nd August 2011

Councillor John Merry CBE
Leader of Salford City Council
Date 22nd August 2011