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 efficiently, economically 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, 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: *https://www.sheffield.gov.uk/home/your-city-council/council-operates.* This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

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 also its activities through which it accounts to, engages with and leads the community. This framework 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. It 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 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 2020 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.

The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these

arrangements to 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 2020 and up to the date of approval of the Annual Report and Statement of Accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation lays down the scheme of delegation by which Members of the Council and Officers can make executive decisions on behalf of the Council to ensure the smooth operation of its business.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below:

1) **Establishing and monitoring the achievement of the Council's business**

   The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the priorities for Cabinet Members. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

   The Council's Executive Management Team (EMT) and Cabinet Members have the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

   Cabinet receives regular budget monitoring reports in addition to the Portfolio Leadership Teams. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

   Performance management information about key objectives is also provided regularly to Cabinet members and may also be considered by Members at the Overview and Scrutiny Management Committee.

   Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) **The facilitation of policy and decision-making**

   The Council's overall budget and policy framework are set by Full Council. Key decisions are taken by the Executive (Leader, Cabinet, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council.

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

2

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that 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.

3) 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 Audit and Standards Committee. The Monitoring Officer's staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Executive Director of Resources carries overall responsibility for financial issues, and his 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 a Risk Management Framework in place that has been agreed by Cabinet. A Risk Management Report is produced for EMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Members' Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

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 Whistleblowing 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 in the Human Rights Act 1998.

3

Reviews of services are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC) and the Office for Standards in Education (OFSTED).

4) Ensuring the efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having agreed strategic priorities that it will make, to achieve its long term goals.

5) Financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contract Management Teams in monitoring the work undertaken by Capita (the Council's contractor for financial business processes, during this reporting period).

6) Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios at respective People Boards to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.
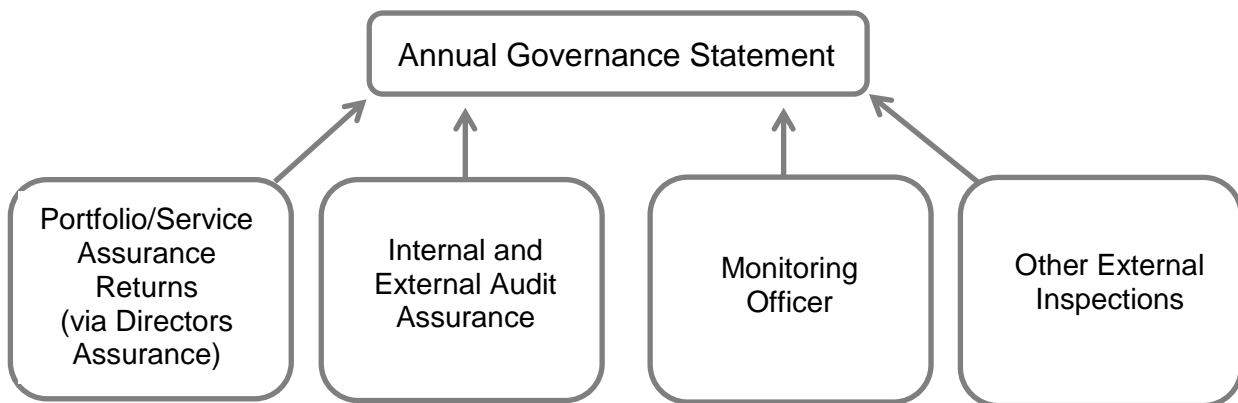
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

4

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement.

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 are responsible 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 Council's 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:

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                    ┌─────────────────────────────────┐
                    │  Annual Governance Statement    │
                    └─────────────────────────────────┘
          ▲              ▲                ▲                ▲
┌──────────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ Portfolio/Service│ │ Internal and │ │              │ │              │
│ Assurance        │ │ External Audit│ │ Monitoring  │ │ Other External│
│ Returns          │ │ Assurance    │ │ Officer     │ │ Inspections  │
│ (via Directors   │ │              │ │              │ │              │
│ Assurance)       │ │              │ │              │ │              │
└──────────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
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Service Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. 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 has commenced. 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. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit 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 service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. The Senior Finance Manager (Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this statement. The Audit and Standards Committee is responsible 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. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2019/20 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. 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.

For all of the inspections, where recommendations were made, assurance has been received that appropriate management action is being taken.

A number of schools within the city have been the subject of OFSTED inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 non-Executive elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards Committee has been set up to meet best practice guidelines. Its 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. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control; so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Members' Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

The Impact of COVID-19 on our Governance Arrangements
During March 2020, at the end of the 2019/20 period relating to this Annual Governance Statement, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was and continues to be significant disruption to the Council's services – some have stopped entirely, others are under significant strain due to demand, and new services have had to be introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provides for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes
- Pause of debt collection
- COVID-19 specific risk register maintained

The Council's response to the ongoing pandemic continues and will continue to be monitored throughout 2020/21. Decision making, other than for emergency response decisions follows the Council's standard practice in accordance with the Constitution and Leader's Scheme of Delegation.

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 year, several initiatives have had an impact on the control assurance mechanisms in place:
- The financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm

7

foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.

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

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 2019/20, 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.

This review of effectiveness has highlighted the following issues that the Executive Management Team wishes to monitor the arrangements across the Council:

Human Resources	**Sickness absence - not reducing absence levels below the agreed target**
	Personal Development Reviews (PDR) completion rates not on target
	Mandatory e-learning completion rates not on target
	Employee Code of Conduct not being signed and recorded in the human resources system

Work has continued to enable employees/managers in regard to all of these areas, simplifying process and communicating the ask.

Sickness Absence - rates have reduced by 30% overall during the COVID-19 pandemic and 70% for short term absence. This huge shift is clearly linked to changes in behaviours and working arrangements as a result of COVID-19 so the investment in initiatives to reduce sickness absence is continuing. This includes extending the Day One absence reporting pilot for a further year, continuing the support of the attendance and wellbeing team, free flu jabs for all staff and the roll out of enhanced sickness absence notifications and reporting from December 2020.

PDR Completions - Internal Audit gave a Limited Assurance Opinion on PDRs in the period. In 2019/20, 76.29% of employee PDRs were recorded online. Quality conversations are encouraged with a focus on health, wellbeing and development as well as setting objectives for direction.

Mandatory e-learning Completions - There was a focus on mandatory e-learning with all of the e-learning modules reviewed and 9 modules deemed to be essential. Face to face versions of these modules were created to enable some operational services to access within their scheduling. This has increased completion in these areas. Overall compliance with completing required learning has remained low

Code of Conduct - The Directors Assurance (DA) requires that employees review and sign their Code of Conduct. The changes to the Council's HR system means that we will now be able to have a questionnaire functionality within the system for employees to read and sign the Code of Conduct in the coming months. At the same time, MyHR/iManage system will also gather information from employees relating to Gifts & Hospitality and Declaration of Interest. The communication will confirm the mandatory nature of all these returns.

Information Governance	**Non-compliant with governance of information policy requirements, including General Data Protection Regulations (GDPR)**
	Poor compliance with mandatory e-learning requirements relating to information governance
	Retention Schedules are not routinely applied

Information Policy Requirements - Compliance with the NHS Toolkit goes some way to delivering compliance in this area. The Improvement Plan is being owned by the Caldicott Guardians Forum, Information Governance Board (IGB) and the Business Change and Information Systems (BCIS) Service Management Team. The new Senior Information Management Officer/Data Protection Officer will be asked to personally oversee its execution.

In addition to the above the Director of BCIS will be agreeing priority areas of focus for the Information Management Officer to address the continued GDPR non-compliances. This plan will go to IGB for endorsement and the Information Management Team will begin working with Portfolios to deliver the actions. Progress will be reported to EMT. We will aim to have drafted the plan by December 2021. This will be the key focus for the Information Management Team for 2020/21 and 2021/22 and will require Portfolios to take greater ownership of the administration and management of their service information governance responsibilities. These are often assumed (incorrectly) to be the responsibility of the Information Management Team. Some guidance will be issued shortly setting out clarity of roles and responsibilities and expectations around information governance ownership.

Mandatory e-learning Completions - The Data Security and Protection Toolkit is an on-line self-assessment tool that enables organisations to measure and publish their performance against the National Data Guardian's ten data security standards. All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practising good data security and personal information is handled correctly.

One of the assertions in the Toolkit is the requirement for 95% of staff to have undertaken annual data security awareness training annually. Between 2018-20, 64% of staff were recorded as doing the Information Management (including GDPR) Bitesize course or face to face training.

The Director of BCIS took a report to EMT on 27 October 2020 with an update on the Toolkit and a specific recommendation to agree an approach to e-learning compliance.

This will mean that users will only be able to gain access to our IT systems once they have completed the mandatory e-learning. This will happen at induction and then annually. Non-compliance means staff will not be allowed access to IT systems. EMT agreed this approach. The Director of BCIS will develop the policy and take this through the relevant approval routes to get it implemented as quickly as possible – we would hope to have the new arrangements in place by January 2021.

Retention Schedules - Service areas do not have consistently defined, up-to-date or applied retention schedules. They may be keeping information for longer than they need to or alternatively may be destroying information they should be keeping. There is also a potential lack of understanding of personal and service obligations relating to information management and governance due to staff not routinely completing mandatory e-learning.

A new Information Governance Manager started on 26 October 2020 and the Director of BCIS will be agreeing a plan with her to progress this issue, as part of agreeing her priority areas of focus. This plan will then go to IGB for endorsement and the Information Management Team will begin working with Portfolios to get retention scheduled up-to-date and a mechanism for maintaining them established. Progress will be reported to EMT. We will aim to have completed the assessment of retention schedules and an agreed the framework for updating them and keeping them updated by March 2021.

Service Plans	Service Plan aligned to Corporate Plan and/or members priorities
The organisation does not currently have a Corporate Plan or other single articulation of Members' priorities in place, following the expiry of the previous Corporate Plan in 2018. Work is ongoing to rectify this, but this does mean that it has not been possible for Service Plans to be aligned to a common set of overarching priorities. However, each service does have a plan in place, aligned with the priorities for the relevant Cabinet Member for the service in question. Additionally, services have more detailed plans in place dealing with specific issues that they have identified as important for their area, such as workforce development.	

Accountability Framework	Accountability Framework and Protocols not comprehensively signed
The 2019/20 Accountability Framework and Protocol was not completed across the Council. Roles and responsibilities in relation to Financial Management need to be clearly and demonstrably understood across the Council, and all Executive Directors, Directors and Heads of Service are required to sign the Framework and Protocol to confirm their understanding and adherence to the roles and responsibilities in relation to sound financial management. Financial management roles and responsibility are defined and documented in the Framework and Protocol, but Heads of Service, Directors and Executive Directors did not sign up to them during 2019/20. Without a formally signed Framework and Protocol there is no clear evidence that responsibilities are clearly understood and have been	

agreed.

A new Accountability Framework and Protocol was drafted for 2020-21, and a report was taken to EMT early in 2020 to gain their agreement to requiring these documents to be signed by the Directors and Heads of Service within their Portfolios. All the signatures have been obtained, therefore there is no continuing non-compliance for 2020/21.

Significant Governance Issues

The following significant control weaknesses have been identified through the Annual Governance process.

Performance of the Special Educational Needs and/or Disabilities Service (SEND)
The SEND inspection in November 2018 led to a requirement for the local area to complete a Written Statement of Action (WSOA) to address the 7 areas of weakness that were identified.

There continues to be a high level of risk locally in regard to SEND. Substantial work has taken place and improvements made but not at the pace anticipated. The continued and substantial growth in demand within the city at all levels has meant that whilst improvements have been made, pressures remain. This includes demand for specialist provision, pressure from schools who do not feel equipped or able to meet individual needs, growing pressures on health and therapy services.

Due to covid-19 the inspection framework for SEND under Ofsted and the CQC has been temporarily paused. This means that the return visit that was due in October/November 2020 will not yet take place. It is not yet clear when this will take place. Services continue to work to improvement plans and will progress these further over the next 12 months against the backdrop of COVID-19. It is expected that the current range of interventions will be sufficient to maintain the trajectory of improvement.

Annual Letter from the Local Government and Social Care Ombudsman (LGSCO)
The LGSCO's comments on formal enquiry response times during 2019/20 are that two-thirds of responses were late and that although the majority of late responses were received within 25 days, 8 were received outside of this period. This is accepted as an accurate description. The LGSCO generally gives the local authority 20 working days to respond to formal enquiries and this can often prove challenging. The Feedback and Complaints Team oversee and manage ombudsman enquiry work on behalf of the Chief Executive and generally give relevant services 10 working days to provide requested background comments and information. This leaves 10 working days for Complaints Managers to produce a suggested response and obtain clarification/further information or background evidence (as required); obtain legal clearance/senior manager approval before the response letter is formally signed by the Chief Executive or relevant Executive Director and then sent to the LGSCO. Late service comments/responses or incomplete/poorly ordered information are the main reasons for delay.

Formal enquiry response times in 2020/21 continue to be challenging with home working and related IT issues also impacting on timeliness.

The Head of Customer Services is recommending that he and Complaints Managers visit the Resources Leadership Team and then EMT to discuss the root causes of any delays and to agree a strategy to improve response times to ombudsman formal enquiries.

Statement

Over the coming year, Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Executive Management Team and the Council Leader.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place.

We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Signed: ………....................……………………………………Date……………………
Eugene Walker – Executive Director of Resources (Section 151 Officer)

Signed: ………....................……………………………………Date……………………
John Macilwraith – Interim Chief Executive on behalf of Sheffield City Council

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