



# Audit Committee

15 December 2014

<b>Report title</b>	Annual Governance Statement – Action Plan Update	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Accountable director</b>	Mark Taylor	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Delivery Directorate Leadership Team	25 November 2014

---

## Recommendations for noting:

The Committee is asked to note:

The progress made in addressing the key improvements areas identified in the 2013/14 Annual Governance Statement action plan.

## **1.0 Purpose**

- 1.1 The Council is required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006 to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Chief Executive.

The statement draws upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements. In compiling the statement assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible. Following this exercise a list of key improvement areas was identified.

## **2.0 Background**

- 2.1 Appendix A of this report has an action plan listing the key areas for improvement that were identified at the time of the compilation of the Annual Governance statement, and updates the Committee on the actions that have been taken so far, towards their implementation.

## **3.0 Progress, options, discussion, etc.**

- 3.1 A further update on progress made against the actions identified in the 2013/14 Annual Governance Statement will be reported to the Committee at the year-end as part of the 2014/15 Annual Governance Statement.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report as Councillors are only requested to note the progress made in addressing the key improvements areas identified in the 2013/14 Annual Governance Statement action plan. The Annual Governance Statement and delivery of the action plan is, however, a significant element of the processes in place to ensure proper and effective use of resources. GE/28112014/I]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from this report

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from this report.

## **7.0 Environmental implications**

- 7.1 There are no environmental implications arising from this report.

**8.0 Human resources implications**

8.1 There are no human resources implications arising from this report.

**9.0 Corporate landlord implications**

9.1 There are no corporate landlord implications arising from this report.

**10 Schedule of background papers**

**10.1** 2013/14 Annual Governance Statement

Position statement on the Annual Governance Statement Action Plan for 2013/14

Key improvement areas and actions for implementation	Responsibility and implementation date	Update @ 30 September 2014
<p><b>FutureSpaces</b>                      Delivery arrangements are being developed for the refurbishment of the Civic Centre. The intention is that construction works will begin in early 2015 subject to the final business case evidencing an on-going annual revenue saving of £500,000.</p> <p><b>Corporate Landlord</b>                      The adoption of the Corporate Landlord Model is being progressed incrementally against the Strategic Asset Management Review. The adopted work programme for the implementation was approved by both the Strategic Land and Property Board and the Operational Land and Property Board and is now being actively monitored by both Boards. The key deliverables in the programme include:</p> <ul style="list-style-type: none"> <li>• Centralisation of property related budgets.</li> <li>• Creation and delivery of a funded programme of annual condition surveys and statutory testing.</li> <li>• Creation and delivery of more robust cyclical maintenance programme based on the annual</li> </ul>	<p>Strategic Director, Place                      February 2015</p>	<p><b>FutureSpaces</b>                      Work continues to develop the delivery arrangements for the programme. Owing to fundamental changes within the Council (compared to the time of the agreed mandate – November 2011) the programme brief is being reviewed and updated for consultation with key stakeholders.</p> <p>The outcome of this consultation will identify a revised brief, with timescale and benefits. It is anticipated that the review of the programme brief will have been completed by 31 December 2014.</p> <p><b>Corporate Landlord</b>                      The rapid implementation of the Corporate Landlord approach has achieved the following deliverables to date:</p> <ul style="list-style-type: none"> <li>• A number of teams have been centralised to create an integrated Corporate Landlord service.</li> <li>• Budgets for response maintenance, utilities and statutory surveys have been centralised and analysis of all other property-related expenditure is underway.</li> <li>• An accelerated disposals programme is well underway,</li> </ul>

<p>condition surveys.</p> <ul style="list-style-type: none"> <li>• Development and delivery of a more robust Disposal Programme to achieve the capital receipts from disposals in the MTFS.</li> <li>• Agreement of service profiles by building profile for services for Facilities Management to deliver to their clients.</li> <li>• Development and delivery of the annual renewables programme.</li> <li>• Support to service reviews being conducted with Directorates in respect to providing options appraisals in respect to meeting the property needs for new service operating models.</li> <li>• Development of a revised Corporate Asset Management Plan.</li> </ul>		<p>expected to exceed its savings target for 2014/15 and achieve further substantial savings in future years.</p> <ul style="list-style-type: none"> <li>• Building profiles are on track for completion by the end of October 14.</li> <li>• A Service Review process has been agreed ensuring the Corporate Landlord is now fully involved in planned changes to asset use. This process also helps reinforce compliance with equalities legislation.</li> <li>• Rationalisation of asset management IT systems is underway, enabling fewer systems to be used which will achieve further savings.</li> <li>• A Strategic Asset Management Plan is on track for completion by 31 March 2015.</li> </ul>
<p><b>Savings Targets</b></p> <p>Whilst the Council's current and historical savings targets have been largely delivered the extremely challenging financial environment continues to require substantial year on year savings. The failure to deliver already identified savings and develop further savings will adversely impact upon the Council's ability to meet its objectives. Close monitoring of the situation continues at both senior officer and Councillor level.</p>	<p>Director of Finance March 2015</p>	<p>The Council continues to develop new savings proposals as part of the 2015/16 budget exercise and to monitor the delivery of historic savings on a quarterly basis. A further £18.1 million of savings for 2015/16 were reported to Cabinet in June 2014 and work continues to identify savings to meet the target of £25 million.</p>
<p><b>PSN Compliance</b></p> <p>Prior to 2013 Wolverhampton City Council obtained GCSx accreditation enabling secure access to and exchange of information with central government and government agencies. The introduction of the Public Services Network</p>	<p>Head of Service, ICT March 2015</p>	<p>A further 12 months PSN accreditation was achieved in June 2014. The next assessment will commence during May and June 2015. During the next 12 months ICT will continue to refresh the Council's ICT estate retiring and upgrading Windows XP desktops and Windows 2003 servers and working</p>

<p>(PSN) during 2013 demanded improved technical security standards and more robust Information Governance requirements. Wolverhampton City Council's compliance with the PSN Code of Connection requirements was approved by the Cabinet Office on 19 November 2013 following an independent health check of the Council's ICT estate, looking for vulnerabilities from external sources of attack and from within the Council followed by a comprehensive evaluation of the Council's network and security architecture, ICT operational practices and information governance policies by CLAS consultants at the Cabinet Office. PSN compliance remains at the heart of all ICT decisions regarding the introduction of new services. A continual programme of infrastructure upgrades and refresh ensures compliance is maintained, with the Council undertaking the annual accreditation process during May and June 2014</p>		<p>with the Information Governance team to improve the data retention controls across the Council.</p> <p>Internal and external ICT health checks will continue to be undertaken looking for vulnerabilities from both internal and external sources of attack and appropriate action taken where there is concern.</p>
<p><b>Contract Management and Monitoring</b></p> <p>Having identified the range of contracts that are in place the main task is to establish how the reporting process is being managed and whether the contracts are meeting their original expectations. With the wide variety of contracts it will be necessary to develop several different approaches to contract management however the main principles will be early involvement for the contract managers (at tender stage), regular reporting on performance, planned reviews to assess the options available and general awareness training for nominated contract managers.</p>	<p>Director of Finance March 2015</p>	<p>Contract managers are to be nominated and trained in order to support them across the different contract types. Developing a performance reporting and review process is to be standardised at high level as part of the overall approach to category management, with contract management activities being coordinated.</p> <p>Contract management support will become part of the remit for strategic procurement. A key function will be the reporting arrangements and the sharing of information with the procurement contract database. Each contract will have a contract owner/manager listed against it, along with further details such as review dates, variations etc.</p>

<p><b>Procurement</b></p> <p>The Procurement Board will be instrumental in guiding the development of strategic procurement. The introduction and utilisation of e-procurement systems (Agresso and Due North) will increase the overall visibility of spend and the profile of this spend can be matched to the contract register. The improved management information will be useful to target particular categories of expenditure and develop procurement strategies that will extract value for money. The use of market sounding, options appraisals and output based specifications will also contribute to improving budgetary controls and increasing the percentage of on contract spend. We will be using collaborative arrangements where these are beneficial to the Council and selecting the appropriate frameworks will be carried out in conjunction with the operational experts. The use of standardised forms and procedures will also aid compliance.</p>	<p>Director of Finance March 2015</p>	<p>The use of Agresso has provided a valuable insight into the spending habits of the Council and the contract arrangements in place. The use of Due North is now extensive and this is proving to be a safe and efficient tendering and evaluation system. Market sounding exercises are underway for several elements of the care services and this is proving valuable for future requirements planning.</p> <p>Development of standardised procedures is part of the revision of contracts procedure rules which in turn will affect the arrangements for contract management and eventually lead to the establishment of category management.</p>
<p><b>Health and Social Care Reforms</b></p> <p>Over the next few years adult social care is required to take a lead role in implementing a service delivery transformation to effectively respond to a number of challenges and opportunities which arise due to significant budget reductions and changes to local and national policy. To be delivered successfully, the service transformation involves putting agreed strategies and plans in place. One of the strategies to be implemented is the Better Care Fund which is an integrated pooled budget to support health and social care to work together in local areas. To achieve the outcomes of the fund will require strong partnership working. Significant</p>	<p>Service Director, Health, Wellbeing and Disability March 2015</p>	<p>The Better Care Fund Plan was submitted to the Department of Health in September 2014 and has now been approved to go forward without any conditions. Work is now commencing on clarifying the governance arrangements to implement the S75 pooled budgets and the governance arrangements that will surround that. A report on the recommended governance arrangements will go to the January 2015 Health and Wellbeing Board and then Cabinet for formal approval.</p>

<p>planning and investment of resources will also be required to set up primary care, prevention and community services in order to achieve the fund outcomes.</p> <p>Another strategy the Council will be required to implement will be the Care and Support Bill in April 2015. Mapping, analysis and assessment of the detailed requirements of the Bill to identify the resources required to implement the changes, needs to be undertaken to fully assess the impact of the Bill on the Council. 'The Health and Wellbeing Board will be accountable for the authorisation and delivery of the fund. The Terms of Reference and governance of the Health and Wellbeing Board are being reviewed to take account of these new responsibilities '</p>		
<p><b>FutureWorks</b></p> <p>The FutureWorks Programme delivered the new Agresso IT system on 1 April in line with the contractual timescales. This new system and processes are being used across the council and its partner organisations of Wolverhampton Homes and West Midlands Pension Scheme. This successful delivery has enabled the council to start delivering the agreed year one savings.</p> <p>The Council is now embarking on delivering phase 2 of the programme in rolling our self-service functionality which will maximise the return on investment as council services are transformed. The Council will continue to manage the risks around the general governance and structure of this programme and through the general programme controls it will bring.</p>	<p>Director of Finance March 2015</p>	<p>The FutureWorks Transformation Programme set out to transform the Council's major administrative functions of HR, Payroll, Finance and Procurement through the delivery of the new technology solution (Agresso) which is used by over 100 councils. The delivery of the Agresso solution and the associated transformation is targeted with delivering £3.4m of annual savings. These savings will be delivered through increased efficiency of the workforce by enabling them to self-serve functions which previously involved multiple departments and manual re-work. The original intention was to roll out self-service across the organisation from July and this was accelerated with the early deployment of finance self service functions for example raising of requisitions, management of spend and three way matching of payments. In addition, Agresso is integrated to circa 18 systems including Northgate Revenues and Benefits and Housing, SIMS and Carefirst.</p>



		<p>Replacement of all finance, procurement, HR and payroll systems has been a complex undertaking involving:</p> <ul style="list-style-type: none"> <li>• Implementation of 43 system interfaces</li> <li>• Automating and streamlining processes into and across systems to support channel shift</li> <li>• Delivery of a shared service centre – The Hub as part of a new target operating model</li> <li>• Preparation of the organisation for the changes</li> </ul> <p>From 1 April the Finance, Procurement and elements of the HR system went live. The remaining functionality which is predominately around payroll and HR has/is being rolled out from end of July through to end of November 14</p> <p>The first payroll went live in July 2014 to a number of Academies (Circa 1000) and Wolverhampton Homes (Circa 800) in August 2014. The main Council payroll (circa 10,600) was run in October 2014. Wolverhampton Council’s Audit team are actively involved in the identification and checking of anomalies in the Agresso payroll and PwC have been involved in reviewing the payroll approach.</p> <p>Finally, in their annual ISA260 Report to those charged with Governance, the council’s external auditors (PwC) confirmed that no issues of concern were noted as a result of their work and testing on Agresso.</p>
<p><b>Partnership Governance</b></p> <p>While work has begun on a number of the Council’s key partnerships, a systematic approach to identifying all of the significant partnerships and in determining the level of review of the governance arrangements alongside the ‘health’ of</p>	<p>Service Director, Partnerships, Economy and Culture supported by</p>	<p>The partnership structure essential for delivering the City Strategy has been reviewed and streamlined. Going forward, the key partnerships for delivering the different aspects of the City Strategy are: The City Board. The Economic Growth Board, the Inclusion Board, the Employment and Skills Board,</p>

<p>each partnership, is still being rolled out and will be quite a sizeable task.</p>	<p>the Director of Governance March 2015</p>	<p>the Health and Wellbeing Board and the Children's Trust. Major changes are being developed at the wider West Midlands and Black Country Level through the LEP and Joint Committee. A steering group for European Structural and Investment Funds 2014 -2020 has also recently been established. An audit of wider sub-regional partnerships has recently been conducted.</p> <p>Very recently key Urban West Midlands Authorities announced their intention to establish a Combined Authority for economic growth and inclusion, skills, regeneration and transport.</p>
<p><b>Information Governance</b></p> <p>The Council is building on the robust framework and effective working practices it has put in place since consensual audits from the Information Commissioner's Office in 2012 and an enforcement notice in 2014, including:</p> <ul style="list-style-type: none"> <li>• Supporting the Information Governance Board through the development of an operational group to drive progress</li> <li>• Mapped out a centralised work programme and resources including a new structure</li> <li>• Review of all Information Governance policies</li> <li>• Roll out of a suite of training programmes, including ensuring there is 100% compliance.</li> </ul>	<p>Director of Governance March 2015</p>	<p>The Council continues to develop its maturity in Information Governance. The Information Governance Board has undertaken Senior Information Risk Owner (SIRO) training, and continues to monitor the centralised work programme. The council went further than the requirements of an Information Commissioner's Office (ICO) enforcement notice regarding training. All employees have undertaken the mandatory 'Protecting Information' course, and processes are in place to ensure new starters also undertake this. Work is ongoing to deliver the requirements of the Public Health and Social Care toolkits.</p>
<p><b>Strategic Asset Management</b></p> <p>The Corporate Landlord model has now been formally adopted by the Council. The implementation of the model and developing a clear understanding of the accountability for activities and financial management will continue. As part of</p>	<p>Strategic Director, Place March 2015</p>	<p>The Corporate Landlord model is now implemented. Work is now taking place to ensure a clear understanding of the accountability for activities and financial management is understood across all services. The Strategic Land and Property Board and the Operational Land and Property Board</p>

<p>the Corporate Landlord approach Strategic and Operational Land and Property management is now covered by two governance Boards. The Strategic Land and Property Board is chaired by the Strategic Director Education and Enterprise, and attended by the Corporate Landlord (Strategic Director Delivery). The Operational Land and Property Board is chaired by the Strategic Director Delivery.</p> <p>The Strategic Land and Property Board meets monthly and the Operational Land and Property Board meets fortnightly. Both Boards consider land and property matters and consult Members through the existing processes of Cabinet Member Briefing; Property Advisory Group and Executive Team prior to decisions being formally made in line with the Council's Constitution. The Strategic Asset Review has now concluded with the agreed categorisation of assets, and clear accountability established for assets including those considered to be of strategic importance (for Economic Growth and Regeneration including Housing).</p> <p>Strategic Asset Management will in the future be supported by the Corporate Landlord's Asset Management team acting as a single source of information and knowledge for the Council's assets making sure that the respective governance boards are provided with accurate and relevant information.</p>		<p>provide oversight and direction to Strategic Asset Management. The Boards meet monthly and consider land and property matters consulting with Members through the existing processes of Cabinet Member Briefing; Property Advisory Group and Executive Team prior to decisions being formally made in line with the Council's Constitution.</p> <p>Building on the outputs of the Strategic Asset Review the agreed categorisation of assets, and clear accountability established for assets including those considered to be of strategic importance (for Economic Growth and Regeneration including Housing) is now in place.</p> <p>Strategic Asset Management is increasingly supported by the Corporate Landlord's Asset Management team acting as a single source of information and knowledge for the Council's assets making sure that the respective governance boards are provided with accurate and relevant information enabling informed decision making and direction.</p>
<p><b>Schools Improvement</b></p> <p>The Council's vision is to create an education system in Wolverhampton that promotes higher standards for all children and young people and closes the attainment gap. This is a system where the Council celebrates school autonomy and supports school leaders and teachers in</p>	<p>Director of Education March 2015</p>	<p>The School Improvement and Governance Strategy has been out for consultation internally and externally with partners especially with schools – a working session to review the document was held at the recent headteacher briefing day on 25 September 2014 with over 90 schools attending (out of 108).</p>

leading school improvement and having the highest expectations of every child and young person.

The Council's strategic approach to school improvement therefore is to support effective school to school collaboration, strong partnerships and to develop excellent practice in schools whilst demonstrating clear leadership and challenge in the delivery of the its duties in relation to school improvement. This leads to three clear and related targets:

- To ensure that every child in the city has an excellent education.
- To raise standards in schools and academies so that by September 2016 attainment and progress measures at all key stages match or exceed national averages.
- To improve the quality of provision in schools and academies so that by September 2016 all schools, settings and academies achieve an Ofsted inspection judgement of good or outstanding.

The strategy will be presented to the Executive Team on 10 December 2014 for council sign off.

A core part of the strategy is the increased rigour of the authority's challenge to schools causing concern. This has led to an application to the Secretary of State for the replacement of the governing body at one primary school with an Interim Executive Board and the issuing of Warning Notices to three primary schools under Section 60 of the Education and Inspections act 2006.