

Annual Governance Statement 2010/11

1. Introduction

The preparation and publication of an Annual Governance Statement is a statutory requirement within the Accounts and Audit (Amendment) (England) Regulations 2011. This Statement has been produced in the prescribed format as set out in the CIPFA/SOLACE¹ document *Delivering Good Governance in Local Government* published in 2007.

The Annual Governance Statement is the formal statement that recognises, records and publishes the Council's governance arrangements. It is an open and honest self-assessment of the Council's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern.

The Statement covers the Council's significant corporate systems, processes and controls, including in particular those designed to ensure that:

- laws and regulations are complied with
- the Council's policies are implemented in practice
- required processes are adhered to
- high quality services are delivered efficiently and effectively
- the Council's values and ethical standards are met
- performance statements and other published information are accurate and reliable
- human, financial and other resources are managed efficiently and effectively.

The key tangible outcomes associated with having effective governance arrangements, include:

- in terms of compliance with the law, there were no significant breaches during 2010/11
- in terms of cost to the Council, there were no significant frauds during 2010/11
- in terms of internal control, Internal Audit's work during 2010/11 identified only one area where limited assurance could be given
- in terms of ethical standards, there were few complaints about Solihull Councillors
- in terms of decision making, working relationships between Members and officers continue to be positive and open and report protocols ensure that any associated risk, financial and equality implications are taken into account
- in terms of financial management, External Audit issued an unqualified opinion on the latest financial statements
- in terms of resources, the Council has maintained its good track record of managing within tight financial constraints and achieving savings

2. Scope of Responsibility

The 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 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 also 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.

The Council has approved and adopted a Local Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE¹ Framework *Delivering Good Governance in Local Government*. A copy is available on the Council's website at www.solihull.gov.uk

This Statement explains how the Council has complied with the Code and meets the requirements of regulation 4(2) and 4(3) of the Accounts and Audit (Amendment) (England) Regulations 2011 in relation to the arrangements for an annual review of the effectiveness of the system of internal control and the preparation, approval and publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

Each local Council operates through a governance framework that brings together a set of legislative requirements, governance principles and management processes. The framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and the 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 the governance 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 demonstrate 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 attributed 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 has been in place within the Council for a number of years, and in particular, the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts and, except for the significant issues detailed in Section 7 of this Statement, accords with proper practice.

4. The Governance Framework

The Council's Local Code of Good Governance describes six core principles that underpin our governance framework.

4.1 Creating and Implementing a Vision

Good governance means focusing on the purpose of the Council, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the Council achieves this.

¹ The Chartered Institute of Public Finance and Accountancy & Society of Local Authority Chief Executives

- The Sustainable Community Strategy for Solihull, “One Borough: An equal chance for all”, sets out a 10-year vision for the Borough and describes how the Council, partner organisations, communities and citizens, will develop the Borough of Solihull as a great place in which to reside, work or visit. It is based on the needs, concerns and aspirations of local people, and sets out improvement priorities which partners can work on together to add value in tackling the most important issues facing the people of Solihull.
- The Council has set itself a clear vision – “Solihull in 2018: where everyone has an equal chance to be healthier, happier, safer and prosperous” – that is underpinned by the values that govern how the Council acts and delivers services (known as the Council’s brand – Open, Honest, Approachable and Keeping its Promises).
- The Council Plan is the Council’s key strategic document for identifying our Vision, ambitions and priorities as a Council and our contribution to the shared vision for Solihull as set out in the Community Strategy.
- At the heart of this Plan are the Top Five: those “step change” priorities where improvement in outcomes will be the most significant in terms of enhancing the well-being of the community and, especially, minimising inequalities.
- The Council Plan provides a three-year medium term strategic plan (updated annually) which links to the Council’s Medium Term Financial Strategy and our organisational development strategy. Our progress and achievements against the priorities within the Council plan is reported in the Council’s Annual Report.
- The Council’s financial management is conducted in accordance with the Budget Framework, Financial Regulations, Rules for Contracts and Corporate Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place. During the year, financial management information is reported to Members, the Corporate Leadership Team (CLT) and Directorate Leadership Teams.
- Within service areas, individual appraisals and regular reviews as part of the Personal Development Review Framework ensure personal performance targets are agreed that support the delivery of operational and corporate outcomes.
- Corporate and Directorate Leadership Teams and Members manage performance through a series of established reporting mechanisms. CLT set aside one meeting each month to focus on the performance of the organisation receiving reports on financial, personnel, risk, performance indicators and consultation feedback.
- The Performance Management Panel (PMP), a senior management forum chaired by a member of CLT, meets monthly and is responsible for overseeing the performance of the Council and advising and supporting CLT in their performance management responsibilities.
- The ‘Council’s Annual Report’ publication provides a clear statement about how the Council is performing against the services that it either delivers itself or with its partners. The Annual Report is published in late summer of each year.

4.2 Roles and Responsibilities of Members and Officers

Good governance means Members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieves this.

- The Council is composed of 51 Members with one-third elected three years in four. All Members meet together as the full Council. The Council operates a Cabinet and Strong Leader model of decision-making, supported by open and accountable working relationships between Members and officers.
- The Council has an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the Policy Framework, Standing Orders, Scheme of Delegations and Financial Regulations and Rules for Contracts.
- The full Council appoints a Leader of the Council to serve for a period of 4 years. The Leader then appoints a Cabinet as the Council's Executive. The Cabinet is responsible for most day-to-day decisions. The Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside these, the matter must be referred to the full Council.
- Overview and Scrutiny Boards hold the Cabinet to account and regulatory committees deal with planning and licensing functions, appeals and governance issues. Members of the Cabinet and Scrutiny Boards, and officers, have clear roles and responsibilities. A Scrutiny and Member support function is in place to support Cabinet, Scrutiny Boards, Opposition Spokespersons and non-executive Members.
- The Council has people working for it ('officers') to give advice, implement decisions and manage day-to-day service delivery. The Councillors' Code of Conduct, the Code of Employee Conduct and the Protocol for Member and Officer Relations provide a framework to promote good relationships.
- The Council has an established Corporate Leadership Team (CLT), whose membership includes the Chief Executive, the Joint Director of Public Health, Corporate Directors for People and Places and Directors of Business Transformation, Governance and Resources. CLT's role is to:
 - provide leadership and management to the organisation in delivering the Council's vision and customer outcomes;
 - put in place the necessary resources and contributions to partnership arrangements to develop and implement the Sustainable Community Strategy;
 - give advice to and work with the political leadership and full Council to develop policy, strategy and our community leadership role and to align resources to the Council's priorities;
 - manage risk and improve performance.
- CLT meets with the Cabinet on a monthly basis to discuss emerging policy and strategy issues in an informal session. CLT also meets on a regular basis with the independent Chairmen of the Standards Committee and the Audit Committee.

- The Director of Governance is the Solicitor to the Council and the statutory Monitoring Officer. The Director of Governance is a member of the CLT and has responsibility for maintaining the Council's Constitution and supports the Standards Committee by providing advice and training for Members in the Ethical Framework.
- The Director of Governance is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.
- The Director of Resources is designated as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972 and other relevant legislation. The S151 Officer is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines.
- An Operational Leadership Team (OLT), consisting of one Head of Service appointed from each Directorate plus other senior officers, focuses on issues of an operational nature.
- The Council has developed policies and procedures to ensure that, as far as possible, its Members and officers understand their respective responsibilities.
- All Directors and Heads of Service have responsibility for maintaining a sound system of internal controls and management processes within their area of responsibility.

4.3 Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this.

- A Standards Committee is in place to promote high standards of conduct and observance of the Members' Code of Conduct and review any complaints regarding members of the council.
- The Council has a Local Code of Good Governance (that was subject to review in 2010 and approved by Governance Committee on the 15th March 2011) that demonstrates its commitment to the principles of good governance and the importance of operating in an open and accountable manner and demonstrating high standards of conduct.
- The Council has a Dignity at Work Policy and Procedure for dealing with any harassment and bullying complaints as well as a Whistle Blowing Policy. Officers are required to declare any conflicts of interest as well as any gifts or hospitality. Members declare any relevant interests at the start of every meeting. Guidance for Members serving on outside bodies has been produced to ensure they are aware of their role and responsibilities in such circumstances.

4.4 Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this.

- The Leader and Cabinet are responsible for all executive decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by the Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan. The Forward Plan is reviewed at each Cabinet meeting.
- The Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.
- Overview and Scrutiny Boards have power to review the decisions of the Cabinet and Cabinet Members, through the 'call-in' process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.
- An Audit Committee provides independent, effective assurance about the adequacy of the Council's governance environment. The Audit Committee operates in accordance with CIPFA's document *Audit Committee – Practical; Guidance for Local Authorities* and comprises a Councillor from each of the Conservative, Liberal Democrat and Labour groups, as well as an independent Chairman.
- The Council maintains an Internal Audit Service that operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. Responsibility for Internal Audit rests with the Head of Internal Audit Services who reports on a day-to-day basis to the Director of Governance (the Monitoring Officer) but with direct reporting lines to the Director of Resources (the Section 151 Officer), Chief Executive, Audit Committee and Members as required.
- Internal Audit plans and prioritises its work using a Risk Based Auditing Approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of their work includes monitoring agreed action plans. This includes ensuring compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members, the Chief Executive, Corporate Directors and management as appropriate.
- The Council has a comprehensive and integrated approach to risk management that is subject to review by Internal Audit.
- The Council maintains both Strategic and Operational Risk Registers. Quarterly monitoring reports on the identified significant risks facing the Council are presented to the Overview and Scrutiny Management Board and CLT. Cabinet receives an annual risk management report and the Leader of the Council (as Cabinet Member responsible for Resources) approves the Risk Management Policy.

4.5 Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and officers to be effective. The following describes how the Council achieves this:

- The Council has agreed a Member Development Policy and Strategy and has appointed an all-party Member Development Steering Group. Training activities are provided in response to identified organisational and individual needs.
- The Council is committed to ensuring that staff are equipped with the appropriate skills and capabilities to perform their roles through the Fit for the Future Organisational Development programme.
- During 2009 the Council was re-accredited with the Investor in People acknowledging the commitment to effectively manage and involve employees. The Council has been recognised as having achieved this award for ten consecutive years.
- Performance appraisals are completed annually to reflect an objective assessment of each employee's abilities, identify any training needs and measure individual performance targets.

4.6 Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure we have transparent and robust public accountability. The following describes how the Council achieves this.

- The Council is committed to narrowing the gap of inequality in the borough and also meeting the requirements of equality legislation and our statutory equality duties. This commitment includes working in partnership with other organisations that serve the borough to make sure people are treated fairly, with dignity and respect – regardless of their age, caring responsibilities, disability, gender reassignment, marriage and civil partnership, pregnancy/maternity, race, religion and belief, sex and sexual orientation.
- The Council was assessed as 'Achieving' under the national Equality Framework for Local Government (EFLG) in October 2009 and is now working towards assessment at the Excellent Level of the Framework by autumn 2012. This means that the Council is working well on issues such as understanding the equality profile and needs of our local diverse community and tailoring services to meet their needs.
- The Council has a corporate system for recording and managing complaints and compliments.
- *The Solihull Partnership* provides a framework for multi-agency working and allows local groups and organisations to work together in a co-ordinated way to achieve the aims of Solihull's Sustainable Community Strategy. The Solihull Partnership leads on multi-agency commissioning delivering against shared priorities with the aim to add value and ensure that our various partnership working arrangements are efficient and effective. It has four main components:
 - The Partnership Assembly comprises representatives from the public, private, voluntary and community sectors who champion the perspective of citizens and communities in Solihull. It meets annually to share information and actively engage in the direction of the Partnership and the development of priorities for Solihull.
 - A Governing Body sets a vision for Solihull and strategic commissioning for the Partnership that underpins the aims of the Sustainable Community Strategy.

Through performance management arrangements, it challenges the progress and effectiveness of the multi-agency partnerships (called strategic groups and boards) work to deliver the Solihull Vision.

- Five Strategic Groups provide a focus for partnership working based on strategic priorities (Children and Young People's Trust; Stronger Communities; Healthier Communities Board; Prosperous Communities and Safer Solihull Partnership).
 - Two Safeguarding Boards set the standards of safekeeping policy, procedure and practice in the way the partners work within their organisations and collectively to safeguard children and young people and vulnerable adults. They provide overview and scrutiny of the effectiveness of "working together" to safeguard.
- During 2010/11:
 - The Solihull Partnership reviewed and refreshed its priorities within the Sustainable Community Strategy to respond to the current economic climate ensuring a sharper and more targeted focus on commissioning services that deliver the greatest benefit and value for money.
 - Partnership Forums were established covering four localities of the Borough. The Forums provide a channel for communication and consultation with local stakeholders about the work of the Solihull Partnership, inform the Partnership's priorities and help to ensure that what local partners are doing contributes fully to achieving the aims of the Sustainable Communities Strategy.

5. Group Activities

Where the Council is in a group relationship with another entity to undertake significant activities, the Annual Governance Statement includes a review of the effectiveness of the system of internal control within such group activities. The following describes the group activities for the year ended 31 March 2011.

Coventry and Solihull Waste Disposal Company Ltd (CSWDC)

CSWDC is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between the two councils.

The company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the company monitors its activities through an accredited Environmental Management System.

The company has appointed Ernst & Young LLP as its auditors. The latest published Annual Report and Financial Statements (for the year ended 31 March 2010) did not highlight any significant control weaknesses.

Solihull Community Housing (SCH)

SCH is a 'not for profit' company set up and owned by the Council to manage its housing services.

A Management Agreement and Annual Delivery Plan set out the arrangements between SCH and the Council for delivering services and managing performance. SCH is managed by an independent Management Board, has appointed its own external auditors, Baker Tilly UK LLP and is subject to internal review by the Council's own Internal Audit.

SCH produces its own Annual Governance Statement and the latest published Statement (to 31 March 2010) did not highlight any significant control weaknesses.

Blythe Valley Innovation Centre Ltd (BVIC)

BVIC is jointly owned by the Council and a joint venture comprising Doughty Hanson and Co and Liberty Property Trust. The Centre provides medium term accommodation for small, innovative companies. The Centre is managed by the University of Warwick Science Park Ltd and a Management Agreement sets out their responsibilities for managing and operating it. The Centre has appointed BDO LLP as its auditors.

The latest published Report and Accounts (for the year ended 31 December 2010) did not highlight any significant control weaknesses.

6. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the internal auditors and senior management within the Council who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The following describes the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, in particular those in relation to:

- Full Council (the authority)
- Cabinet (the executive)
- Overview and Scrutiny
- Audit Committee
- Standards Committee
- Director of Resources (the Chief Financial Officer)
- Director of Governance (the Monitoring Officer)
- Management Assurances
- Internal and External Audit
- Risk Management
- External Inspections
- Other Governance Reviews

6.1 Full Council

All Members have an opportunity to review the Annual Governance Statement, confirm that it accurately describes the Council's governance arrangements and highlight any areas of significant weakness.

6.2 The Cabinet

The Cabinet receives regular monitoring reports on key aspects of control including performance and risk management.

6.3 Overview and Scrutiny Management Board

There is an Overview and Scrutiny Management Board and four other Scrutiny Boards. Overview and Scrutiny oversees and scrutinises decisions made by the Cabinet and Cabinet Members. The Boards, particularly Overview and Scrutiny Management Board, receive regular monitoring reports on aspects of control including performance and risk management.

6.4 Audit Committee

The Audit Committee has responsibility (set out in its Terms of Reference) to:

- monitor the effective development and operation of corporate governance in the Council
- consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice
- consider the Council's compliance with its own and other published standards and controls
- recommend the Annual Governance Statement for approval.

Audit Committee receives regular monitoring reports from both Internal Audit and the Head of Governance Services on various aspects of internal control and risk management.

6.5 Standards Committee

The Standards Committee promotes and maintains high standards of conduct by monitoring the operation of the Members Code of Conduct. During 2010/11 there were complaints about three Solihull Metropolitan Borough Councillors.

The Local Assessment Committee considered that in one of the cases there was insufficient evidence to warrant any further action. One case was referred to the Monitoring Officer for investigation and that investigation is ongoing. One case was referred to the Monitoring Officer for other action, specifically to arrange a meeting for the parties involved to resolve their differences.

6.6 Director of Resources (the Chief Financial Officer and Section 151 Officer) and Director of Governance (the Monitoring Officer)

The statutory functions undertaken by these two officers provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with.

Both officers are involved in the production of this Statement and provide individual assurances that it accurately describes the Council's governance environment.

6.7 Management

Directors, managers and corporate leads provide assurance that:

- the Council's policies are implemented in practice
- high-quality services are delivered efficiently and effectively
- the Council's values and ethical standards are met
- laws and regulations are complied with
- required processes are adhered to
- financial statements and published performance information are accurate and reliable
- human, financial, environmental and other resources are managed efficiently and effectively.

These assurances (together with assurances from the other sources mentioned in this Statement) have been used to inform the opinion of each Director who has completed an individual Assurance Statement about the effectiveness of the controls operating in their respective Directorate.

6.8 Internal Audit

6.8.1 Internal Audit Assurance

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. Internal Audit produces an Annual Audit Report summarising its work during the year which will be presented to the Council's Audit Committee in June 2011.

It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment. The table below details the level of assurance available.

Score	Assurance	Assurance Criteria
1	Full	There is a sound framework of effective controls.
2	Substantial	The framework of control is adequate and controls are generally operating effectively.
3	Moderate	The control framework is adequate but a number of controls are not operating effectively.
4	Limited	Adequate controls are not in place to meet all the system objectives and controls are not being consistently applied.
5	None	The control framework is inadequate and controls are not operating effectively. The system is open to abuse, significant error or loss and/or misappropriation.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, the Council maintains an adequate and effective system of internal control. There is one area of concern that remains outstanding. This is in respect of the Benefits system that is currently rated as a Level 4, due to concerns over the number of errors identified in the system.

In this instance, management is implementing a detailed action plan and the system will be re-evaluated during the early part of 2011/12.

6.8.2 Review of Internal Audit

A review of the effectiveness of the system of internal audit is undertaken annually and the findings of this self-assessment are reported to the Council's Audit Committee. The review assesses the level of compliance with the Code of Practice for Internal Audit in Local Government in the UK.

The results of the 2010/11 review were reported to Audit Committee on the 9th March 2011 and confirm that Internal Audit can demonstrate compliance with the Code. Two areas where action is required have been identified and these will be addressed during the coming year. These are the need to update:

- the Internal Audit Strategy and Terms of Reference to reflect new responsibilities in respect of investigations; and
- the Internal Audit Manual to take account of recent changes following a lean review of the service, new guidance in respect of the 'Role of the Head of Internal Audit' and the revised 'Definition of Internal Auditing', 'Code of Ethics' and 'International Standards' issued by the Chartered Institute of Internal Auditors.

6.9 External Audit

The last Annual Audit Letter (issued by the Audit Commission) in November 2010 confirmed that the Council:

- has a clear vision that drives its commissioning and procurement processes
- plans its finances effectively to deliver strategic priorities and secure sound financial health
- has a sound understanding of its costs and performance and links performance information to financial reports to support decision making
- has good arrangements for financial monitoring, including reliable budgetary reporting
- prepares its accounts to a high standard, within the closedown timescales laid down by the Accounts and Audit Regulations
- was issued with an unqualified opinion of its financial statements
- has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources
- has worked hard to maintain a stable financial position and has a good track record of managing within tight financial constraints and achieving savings
- has adopted and is regularly reviewing the expected elements of sound governance
- has strong risk management arrangements and internal control, as well as effective arrangements for responding to the risk of fraud
- has a strong strategic approach to asset management
- has a productive and skilled workforce resulting in good levels of performance on a relatively low level of expenditure

6.10 Risk Management

As part of the preparation of this Statement, Risk Owners have provided appropriate assurance that the Council's identified significant risks have been effectively managed during the year.

The Council's overall risk management arrangements are subject to review by Internal Audit every two years.

In 2009, these arrangements were rated as Level 2 (where 5 is the lowest and 1 the highest rating). During the preparation of this Statement, Internal Audit have concluded their 2011 review and confirmed that the Council's risk management arrangements are now rated as Level 1 providing "full assurance" that the approach is operating effectively.

6.11 External Inspections

6.11.1 Comprehensive Area Assessment

The main programme of external inspection and assessment for local authorities has previously been the Comprehensive Area Assessment, which attempted to provide an overall picture of how councils and their partners were delivering services and outcomes for local people.

However, inspection and assessment placed costly burdens on local service providers and increased the focus on reporting to central government rather than service delivery. For this reason, in June 2010, the Government instructed the Audit Commission and five other inspectorates to stop Comprehensive Area Assessments. As such, the future inspection and assessment of local authorities is still being developed across Government in the light of the decentralisation and localism agenda.

6.11.2 Ofsted - the Office for Standards in Education, Children's Services and Skills

Ofsted assess children's services in local areas and inspect services for looked after children, safeguarding and child protection. In Solihull, this includes inspecting and/or assessing childminders, family centres, schools and colleges as well as how teachers are trained, for example.

The latest Annual Children's Services Assessment published by Ofsted in December 2010 reported the following outcomes from safeguarding and looked after children inspections:

- Ofsted judged children's services at the Council as Level 3 "performing well" (where Level 1 "performing poorly" is the lowest and Level 4 performing excellently" is the highest)
- the majority of services, settings and institutions inspected by Ofsted are good or better
- provision in primary and secondary schools is good overall and the two inadequate schools are making satisfactory progress
- provision for 16-18 year old students is good in further education and sixth form colleges
- the fostering agency was judged to be good and the adoption agency adequate
- an unannounced inspection of front line child protection services (in August 2010) found several areas of strength and satisfactory practice with some areas for development and no areas for priority action were identified.

Since the Annual Assessment, a further unannounced inspection in April 2011 has confirmed that all but one of the areas for development identified have been addressed. The outstanding item relates to the timeliness of allocating and commencing work on initial assessments. Although managers are aware of this and regularly review and prioritise waiting cases to minimise delay in allocation, Ofsted reported that whilst performance has improved it has not yet reached a satisfactory standard.

6.12 Other Governance Reviews

6.12.1 Adult Social Care

During 2010, External Audit completed a review of the partnership arrangements with Solihull Care Trust for the provision of adult social care. At the meeting on the 21st September 2010, Audit Committee considered the External Auditor's report on the outcome of the review, including a number of significant recommendations.

Positive and decisive action has been taken to respond to the issues in the external auditors report. In addition, at the meeting of Full Council on the 12th October 2010, it was agreed to dissolve the partnership agreement. Adult social care commissioning and delivery responsibility formally returned to the Council on 1st April 2011.

6.12.2 North Solihull Regeneration Partnership

A Governance Review of the North Solihull Regeneration Partnership was completed during 2009/10. This Review was commissioned by the Partnership to strengthen and clarify some of the working practices and relationships necessary to deliver this complex regeneration programme.

Since Board and Cabinet approval, all recommendations have been implemented and the new structure of working is operational.

6.12.3 The Role of the Chief Financial Officer

An internal review of the role and responsibilities of the Council's Chief Financial Officer is ongoing to ensure that they conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010). The findings of the review and any supporting action plan will be reported to the Audit Committee and the Leader of the Council, as the Cabinet Member responsible for Resources.

6.12.4 The Role of the Head of Internal Audit

The CIPFA Statement *The Role of the Head of Internal Audit* published by CIPFA in December 2010 was considered when undertaking the Review of the System of Internal Audit and updating the Audit Terms of Reference and Strategy. The outcomes of this review and the terms of reference were considered by the Audit Committee on 9th March 2011.

7. Significant Governance Issues

Based on the Council's own risk management approach, the following issues have been assessed as "significant" for the purpose of the 2010/11 Annual Governance Statement.

Over the coming year, the Council will take appropriate steps to address these matters and further enhance its governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the annual review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Identified From	Issue	Description	Responsible Officer(s)
The previous Annual Governance Statement in 2009/10	Implement International Financial Reporting Standards (IFRS)	<p>The requirements of International Financial reporting Standards will have been met for the 2010/11 Accounting Statement due for the end of June 2011. This will include the 2009/10 restated accounts and a 2008/09 restated balance sheet.</p> <p>Following the 2010/11 closedown the project will cease and become part of the ongoing annual requirements of the production of the Accounting Statement.</p>	Head of Financial Operations
	Financial Management in Schools	<p>During 2009/10 the Council encountered two schools failing to meet their budget allocations:</p> <ul style="list-style-type: none"> ▪ Archbishop Grimshaw achieved a zero balance on reserves at 31st March 2011. Redundancy costs of £235k were met from schools contingency funding during 2010/11 and did not impact directly on the school. The school has now converted to an Academy. ▪ Lanchester School operates as part of a campus with the Pupil Referral Unit (PRU). There have been a number of significant challenges since the establishment of the joint campus in 2009/10. These challenges are now resolved through the work of the Interim Executive Board which has taken on the responsibility of ensuring effective governance arrangements are in place. Moving forward, attention will be focused to resolve the deficit of £250,000 as at 31st March 2011. A licensed deficit application is to be submitted which will include a plan of how this deficit will be recovered. An action plan is also in place and work continues to set a balanced budget for 2011/12. <p>There are no other schools with deficits as at 31st March 2011.</p>	Directors of People and Resources

Identified From	Issue	Description	Responsible Officer(s)
The previous Annual Governance Statement in 2009/10 (cont)	Strategic Environment Contract	A progress report prepared by internal audit has been received by the Audit Committee. The report included progress against the agreed action plan. The Audit Committee were satisfied that sufficient progress had been made against the action plan and no further action would be required.	Directors of Places
	Adult Social Care	With the Dissolution of the Partnership between Solihull Council (SMBC) and Solihull Care Trust, Adult Social Services returned to the direct control of SMBC from 1/04/11. With the changes in the Care Quality Commission regulatory framework the Council was no longer a Priority Improvement Council (PIC). However, as the 2009/10 performance assessment was considered only adequate, the Council continues to receive support from a sector led improvement programme. The service faced a difficult financial position during 2010/11 with a projected overspend of £6m. However, the budget was very closely monitored and controlled during the year and the final outturn for Adult Social Services was a reduced overspend of £3.84m. After applying contingency provisions and other savings the final overspent position was £1.06m.	Director of People
The External Audit Report (November 2010) – High Priority Issues	Significant Weaknesses in Internal Control	During the year, External Audit tested a number of system controls and discussed improving some aspects of the controls relating to payroll, housing benefits and housing repairs with the Audit Committee. Full detailed findings, conclusions and recommendations in the areas covered were included in individual reports issued during the year.	Senior Management
	Managing Finances	There is a significant deficit in the Council's share of the West Midlands Pension Fund.	Corporate Leadership Team

Identified From	Issue	Description	Responsible Officer(s)
The External Audit Report (November 2010) – High Priority Issues (cont)	Managing Finances (cont)	The Council will need to take account of this in any future decisions on down sizing as this could put more pressure on the pension fund.	Corporate Leadership Team
	Current and Future Challenges	In addition to shortfalls in income, overspending expenditure budgets and the sustainability of “one-off” savings, 2010-11 has been an unprecedented period of reductions in public sector spending, all of which pose significant financial challenges for the Council. As such, the Council will continue to keep its Medium Term Financial Strategy under continuous review to ensure it addresses the changing economic circumstances.	Corporate Leadership Team
Statutory Officers’ Assurance Statements	Adult Social Care	The delivery of the necessary transformational programmes in both Adults and Children’s Services is potentially at risk as a result of the disruption to strategic leadership arising from the significant ill-health absence of the Director for People. Whilst the Director of Governance is providing support at a corporate management level, this can only be a short-term solution. Meeting planned changes and expectations in the longer term will require a dedicated full time resource at a strategic level.	Corporate Leadership Team
	Savings Target	The Council has a £15.2m savings target. This is a significant financial challenge for the Council to deliver. In recognition of the risks of delivering savings of this scale, the Council has held working balances at a level that provides some protection against non-delivery. At the time of preparing this Statement, a high proportion (in the region of £12.3m) of the £15.2m is rated as “green” and effectively delivered.	Corporate Leadership Team

Identified From	Issue	Description	Responsible Officer(s)
Statutory Officers' Assurance Statements (cont)	Savings Target (cont)	The Corporate Leadership Team and Members are paying close attention to delivery of the remaining savings that are mainly within the People Directorate.	Corporate Leadership Team
Strategic Risk Register	Net Red Risks	<p>As at the 31st March 2011, the Council's strategic risk register identified the following as significant risks:</p> <ul style="list-style-type: none"> • National Budget Cuts • 2010/11 Budget Pressures on Adult Social Care • Unaccompanied Asylum Seekers Grant Funding <p>The nominated Risk Owners have confirmed that these risks have been effectively managed during the year. With regards to the net red risk – 2010/11 Budget Pressure on Adult Social Care – this risk has now been closed. This budget pressure was reduced significantly by the end of 2010/11 and the over spend remaining at the year-end was covered by an overall under spending on the Council's 2010/11 accounts.</p> <p>The action being taken to minimise the remaining net red risks will continue to be reviewed monthly by the Corporate Leadership Team.</p>	Corporate Leadership Team
Internal Audit	Limited Assurance	<p>Internal Audit's work during 2010/11 identified one area where only limited assurance could be given regarding the effectiveness of internal controls. This is in respect of the Benefits system that is currently rated as a Level 4, due to concerns over the number of errors identified in the system.</p> <p>Immediate action was taken to resolve the matters identified in the audit and robust procedures were in place by 31st March 2011. The revised procedures will be re-evaluated by Internal Audit, early in 2011/12.</p>	Senior Management and Head of Internal Audit

Identified From	Issue	Description	Responsible Officer(s)
Internal Audit (cont)	Allegations of Fraud	Internal Audit has a role to investigate allegations of fraud and mis-appropriation. In terms of cost to the Council, no significant breaches were identified during 2010/11. However, irrespective of value the Council treats all fraud seriously and as a matter of policy Internal Audit refers such issues to the police for consideration and every effort is made to recover misappropriated funds. Any evidence of fraud is viewed as gross misconduct within the Council's disciplinary procedures.	Senior Management and Head of Internal Audit
Senior Management Assurance Statements	Internal Control	As part of the preparation of the Council's Annual Governance Statement, senior managers provide assurance about the internal control arrangements within the areas for which they are managerially responsible. Whilst these assurances confirm there were no significant breaches during 2010/11, the exercise has identified a range of actions required to improve the Council's overall internal control environment. An action plan has been developed and progress to implement the required improvements will be monitored by the Director of Governance.	Senior Management and Director of Governance

7. Conclusion and Evaluation

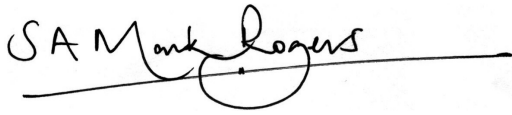
As Leader and Chief Executive, we have been advised on the implications of the results of the review of the effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Solihull Metropolitan Borough Council to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operation as part of our next annual review.



Leader of the Council



Chief Executive