

PLYMOUTH CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2010/2011

Scope of Responsibility

Plymouth 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 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

Plymouth 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 under "Constitution".

This Annual Governance Statement explains how the Council has complied with the Code and also how it meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Plymouth City Council for the year ended 31st March 2011 and up to the date of the approval of the Annual Report and Statement of Accounts.

The Governance Framework

The internal control environment comprises all the processes and procedures in place for the sound running and well being of the Council. It is designed with the intention of:

- establishing and monitoring the achievement of the Council's objectives
- facilitating policy and decision making
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, assessing and managing risks that threaten the delivery of the authority's objectives
- ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way in which the authority's functions are exercised
- managing performance to reduce impact on the environment and managing environmental risks
- managing and reporting of financial information for the authority
- managing performance of the authority and subsequent reporting

The following is an overview of the key elements of Plymouth City Council's control environment. It is not meant to be exhaustive but indicative of the controls adopted by the Council in meeting its aims and objectives. The Council has a number of measures in place to establish and monitor its key aims and objectives and to ensure that the resources used in delivering those objectives are utilised in an economical, effective and efficient way.

Plymouth has a strong vision to become one of Europe's finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. The vision is driven by "Plymouth 2020" – the local strategic partnership of public, private and third sectors and was originally outlined the Sustainable Community Strategy 2007-20, which acts as a framework to enable services and investments to be delivered in a more responsive, better co-ordinated and sustainable way.

The partnership has subsequently produce the Plymouth Report which provided a comprehensive analysis of need and capacity in the city and laid the foundations for agreement around four priorities which will drive and help realise the city's vision:

- Deliver growth
- Raise aspirations
- Reduce inequality
- Provide value for communities

These are supported by a number of long term and medium term outcome measures, which have again been agreed across the partnership. Plymouth 2020 is also in the process of looking at how it can build on both the Sustainable Community Strategy and the Core Strategy of the Local Development Framework, while at the same time responding to requirements in the Localism Bill. The result is likely to be an overarching Plymouth Plan 2011-31 into which other strategies and plans feed.

The Council produces a **Corporate Plan** which sets out where it is now and its challenges and ambitions for the next three years in relation to transforming the organisation, improving customer experience, making efficiency savings and contributing to the four shared priorities.

The Corporate Plan 2011–2014 was approved by Council in February 2011 and sets out the Council's strategic direction. The focus has moved away from the previous fourteen corporate improvement priorities to now concentrate on the four City wide top level priorities.

These priorities are now the focus of scrutiny by Overview and Scrutiny, Cabinet and the Corporate Management Team, allowing for more detailed examination and debate of fewer, more significant issues than has previously been possible.

The Corporate Plan also provides the framework used by departments in developing their **Business Plans** which establish and monitor the achievement of objectives at service and team level.

The Annual Audit and Inspection letter (November 2009) found that the Council had sound arrangements in place across all areas of use of resources, with particularly strong performance in managing finances. The Council's organisational assessment concluded that it performed well, that performance management arrangements are much improved and that it has the leadership, capacity and capability it needs to deliver future improvements, while the city received a green flag under Comprehensive Area Assessment for the way it works in partnership to address civil emergencies.

The **Constitution** aids the financial management of the Authority and is complemented by **Financial Regulations** and **Standing Orders**, which document protocols and procedures for members and officers in conducting the business of the Council.

Ensuring the Council complies with **Law and Regulations** is ultimately the responsibility of the Assistant Director for Corporate Support (Democracy and Governance), who is the Council's statutory Monitoring Officer, and a series of controls are in place to address compliance issues.

In March 2008 the Council adopted a **Code of Corporate Governance** based on best practice as recommended by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives). The Code is reviewed annually as part of the preparation of this Governance Statement.

The **Financial Management** of the Council is based upon a semi-devolved structure – the Statutory Finance Officer role rests with the Director for Corporate Support with a Head of Finance reporting to the Assistant Director for Finance, Assets and Efficiencies. A Finance Manager is based in each department.

There is a Cabinet Member with responsibility for Finance who meets regularly with the Director for Corporate Support. Regular one to one meetings are also held with each Director and the Director for Corporate Support.

Regular, timetabled meetings are held between the Director for Corporate Support and the Assistant Director for Finance and senior finance managers who sit on the management teams of departments and provide financial management advice and guidance.

A key element of **budgetary control** is the **budget monitoring process**. For 2010/11, at the start of each month, Finance provided departmental finance reports to all budget managers. These are reviewed at the next Department Management Team meeting and variances discussed and action taken as appropriate followed by monthly monitoring "scorecard" reports to the Corporate Management Team. Formal quarterly joint Finance and Performance reports go to the Corporate Management Team, Cabinet meetings and to the Overview & Management Scrutiny Panel. This will continue for 2011/12.

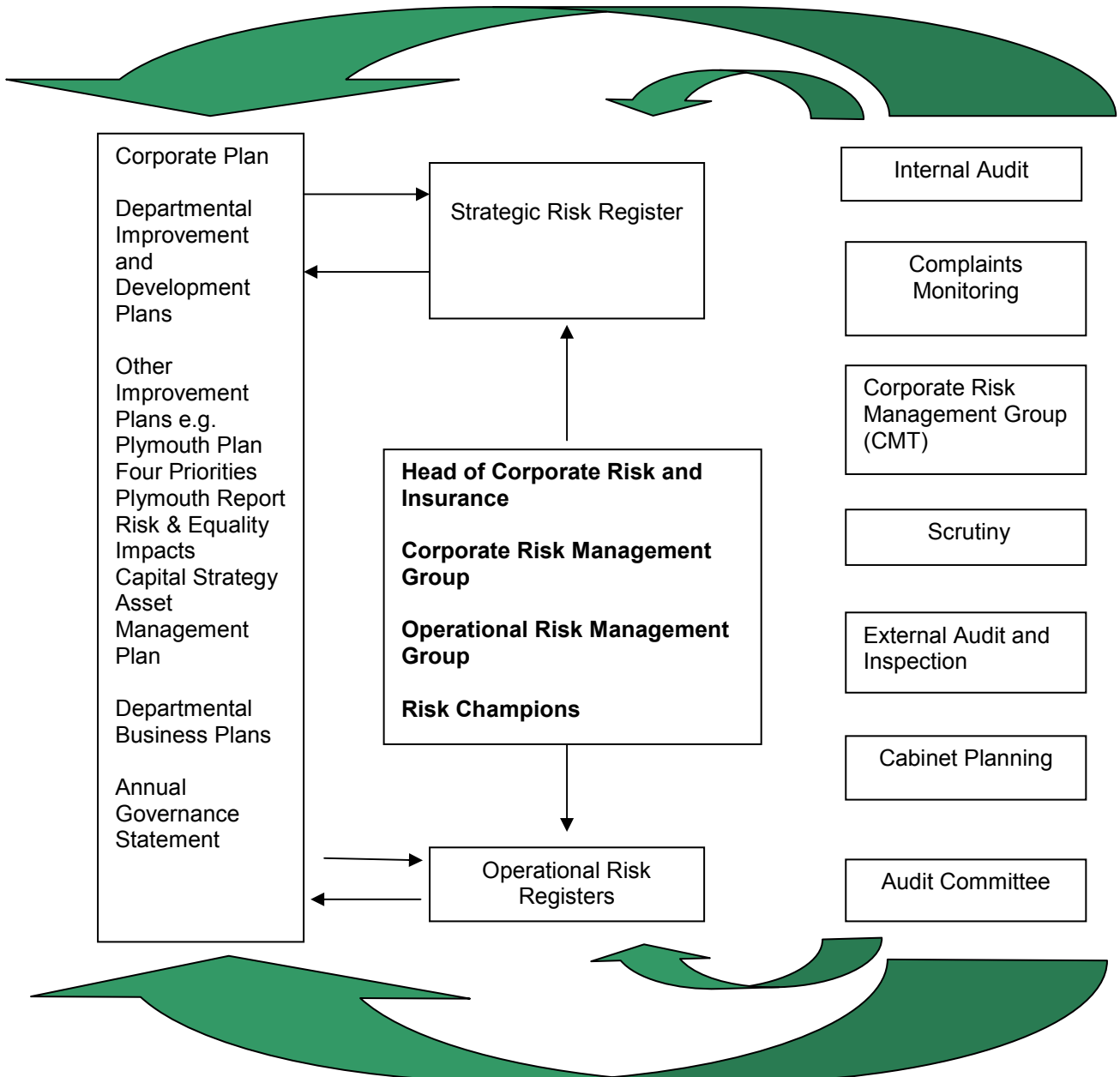
The Finance Management Team (FMT) comprising the Finance Managers and Head of Finance meet fortnightly to manage this process and to review all financial matters.

The Council has adopted a new **Competency Framework** covering all employees as part of its commitment to ensure that there is a clear set of standards that underpins the performance, behaviours, work, knowledge and skills of its staff to help the Council deliver its vision and the key priorities in the Corporate Plan.

The Management of Risk

The overall framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process



How the Council Monitors Risk

The Council maintains Strategic and Operational Risk Registers to record and monitor progress against the key risks which threaten the Council's corporate and service objectives. Registers record, against each of these risks, controls which are already in place and also identify additional controls to enhance the control environment, acting as an action plan to address and improve risks at all levels.

Objectives identified in operational level Business Plans include links where appropriate to the Corporate Plan to ensure that each Service can identify where it contributes to the delivery of the Council's key strategic aims.

The Council invests significant resources into the management of risk through Strategic and Operational Risk Management Groups. A Risk Management Strategy and Policy Statement has been developed and risk registers are monitored using the corporate performance management system, ePerform, as well as creating links to Business Plans and key performance indicators.

Registers and controls are continuously monitored and are updated regularly at a departmental level and through meetings of the Strategic and Operational Risk Management Groups with Member input at Cabinet Planning and subsequent ratification at Audit Committee.

Operational Risk Registers allow departments to monitor potential risks that may threaten the delivery of their service objectives and to escalate a risk to the strategic level for inclusion in the Strategic Risk Register if it is a cross-cutting risk or if it is considered to threaten the strategic objectives of the Council.

Operational Risk Registers are now being fully integrated with Service objectives in line with revised corporate Business Planning arrangements.

The authority acknowledges its responsibilities with regard to environmental risks and is taking action to identify and mitigate future impact.

The Council's Civil Protection Unit, in partnership with the Local Resilience Forum, Devon and Cornwall Police and other key partners, works to identify and manage potential environmental risk and the impact of civil emergencies.

Partnerships Governance

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities.

Accordingly, the Council has produced a Partnerships Register which assesses each partnership for significance.

Senior Officers and/or Members sit on the board of most of Plymouth City Council's main partnerships and group organisations and therefore take an active part in discussions/decisions

Significant partnerships have their own risk registers and risk is managed as a routine part of performance management.

In order to improve consistency and produce a standard approach to partnerships, particularly with regard to the management of risks and opportunities, the Council has

produced a draft Partnerships Code of Practice which will be consulted upon with key stakeholders. The Council has also developed formal protocols on the sharing of information and knowledge.

These include regular meetings and working groups to prepare for and review key activities including Plymouth City Council's Group Statement of Accounts and the imminent implementation of International Financial Reporting Standards.

Group organisations have recently been asked to produce assurance questionnaires or their own governance statements to ensure robust governance arrangements are in place. These questionnaires will be reviewed by Plymouth City Council officers who will work together with the Group organisation to resolve any control weaknesses or risks.

Complaints Monitoring

The Council also addresses the management of risk through its internal complaint procedures.

The Standards Committee monitors issues raised through the Local Government Ombudsman to ensure learning and improvement to prevent repetition.

A complaints database has been developed and improvements in the reporting facilities database have helped the Council to monitor and respond quickly to its customers needs.

The Role of Audit

Internal Audit

Internal Audit undertakes an objective programme of audits to ensure that there is sound and adequate risk management and internal control in place across the whole of the City Council. It also supports the authority in accounting for and safeguarding the Council's assets and interests from error, fraud, waste, poor value for money or other losses.

Independent advice, continuous appraisal of systems and other processes are provided to all levels of management on, for example, risk identification, internal controls, anti-fraud and other corporate policies and regulations.

The scope of Internal Audit also includes new developments and government initiatives such as partnership working and other corporate governance issues.

Internal Audit forms an intrinsic part of the risk management and scrutiny function, which ensures that there are robust arrangements for monitoring and review, and that adequate processes are in place for managing the Council's internal affairs and its relationship with key stakeholders, which are required to demonstrate effective corporate governance.

Continuous review of the adequacy and effectiveness of the internal audit system is included in the terms of reference of the Audit Committee and a formal annual review is conducted by that Committee based on the Chief Auditor's annual report.

Since 1st April 2009, Internal Audit services have been provided by Devon Audit Partnership, a partnership formed by Plymouth City Council, Devon County Council and Torbay Council Internal Audit departments.

The benefits of the consortium are:-

- staff resources can be deployed more flexibly and are better able to cope with vacancies and / or ad hoc work;
- sharing of best practice and access to a larger pool of specialist knowledge;
- economies of scale e.g. training, resourcing specialist skills such as IT and contract audit;
- providing for flexible deployment if and when necessary whilst allowing staff to build up specialist knowledge of the council(s) they are working within;
- providing better opportunities for staff to further careers within the internal audit function;
- applying common technology and methodology across all teams to improve efficiency, value for money and skills.

External Audit

Grant Thornton LLP continued to provide external audit services during 2010/11. They provide improvement, assessment and assurance services. In carrying out audit work they comply with the following statutory requirements:

- The Audit Commission Act 1998
- The Code of Audit Practice
- The Local Government Act 1999
- Accountancy and Audit Regulations 2003

They work with the council on the improvement planning process to ensure that the work they perform is co-ordinated and targeted on the Council's key areas for improvement.

The Audit Commission's Relationship Manager also co-ordinates the work of other inspectors as part of this process.

Audit Commission

In August 2010 the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

Eventually the Audit Commission's responsibilities for overseeing and commissioning local audit will stop, as will their other statutory functions, including those relating to studies into financial management and value for money. At that point the Audit Commission will be disbanded.

The Audit Commission is working with the DCLG to consider ways of transferring their existing in-house audit practice into the private sector.

Until the new audit regime is introduced the Audit Commission will continue to appoint auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England and to oversee their work.

However, until consultations are complete, there is a degree of uncertainty regarding the future audit regime

Audit Committee

The Council's Audit Committee comprises five Councillors and three Independent Members supported by the Head of Finance and Devon Audit Partnership's Assistant Head of Partnership.

The Committee has responsibilities with respect to both Internal and External Audit, and monitors the nature and scope of audit work performed. It reviews reports and annual audit letters with departmental management, makes recommendations to Cabinet and oversees the interaction of the Council with its external auditor.

The Audit Committee has responsibility to:

- Approve, support and monitor the implementation and ongoing processes for identifying and managing key risks of the Council
- Monitor the Council's compliance with its own published standards and controls and recommend any necessary changes to Financial Regulations and Standing Orders
- Monitor the progress and performance of Internal Audit
- Consider Internal Audit's annual report and comment annually on the adequacy and effectiveness of internal control systems
- Monitor the performance of the Treasury Management function
- Review and advise the Cabinet and Council on the content of the Annual Governance Statement and Statement of Accounts
- Keep under review corporate policies e.g. the Anti-fraud Strategy

Internal and External Audit work closely together to maximise opportunities for synergy between the two services.

Overview and Scrutiny

The Council has previously reviewed and updated its scrutiny arrangements and established an Overview and Scrutiny Management Board to co-ordinate the scrutiny function.

The Board challenges and supports the Cabinet and provides checks and balances by examining major policies, plans, services and financial issues. It is responsible for monitoring, reviewing, selecting and scrutinising decisions made by and on behalf of the Council. The Board was also responsible for scrutiny of the Local Strategic Partnership.

From May 2011 the Board is made up of twelve non-executive members (appointed on political proportionality) and two co-opted representatives which makes scrutiny independent of the Cabinet. The Chairs of the five Overview and Scrutiny Panels and seven other Councillors carry out the work of the Board.

There are five Overview and Scrutiny Panels each of which has a responsibility for scrutiny of a particular area of Council operation. The panels also discharge the Council's statutory function with respect to scrutiny of health and the crime and disorder reduction partnership. When carrying out their investigations, the Panels have the authority to ask Cabinet Members and Officers of the Council to attend meetings to answer questions the Panel might have about their work, the reason for decisions and why any problems have occurred within the Council's performance.

Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control, including a review of the effectiveness of the system of internal audit. Assurance is sought from a number of sources including a review of Internal and External Audit and Inspection reports, review of current action and improvement plans, review of internal audit arrangements by the Audit Committee and through dialogue with key officers.

The Council is subject to a number of audits and inspections. These help to inform the development of a strong control environment and to develop risk management processes. The Council has an established Risk Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit have been reviewed to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment.

Directors complete an Assurance Questionnaire reviewing the control environment within their Department and the results of the questionnaires have been used to inform the assessment of significant governance issues for the Council.

Significant Governance Issues

As part of the review of the effectiveness of the system of internal control the governance issues summarised below have been assessed as being significant for the purposes of this Statement:

Medium Term Financial Strategy

The Council's Medium Term Financial Strategy (MTFS) was updated and presented to Cabinet following the Comprehensive Spending Review announcements of 20 October 2010 and earlier announcements from the Coalition Government.

The strategy has now been subject to further review as part of the 2011/12 detailed budget exercise and following the 2010/11 outturn position, and presented to Cabinet 7 June 2011.

The Comprehensive Spending Review (CSR) was published in October 2010 and national headlines are a real terms reduction of 28% in local authority budgets over the next four years. The fall in grant is more than 7% a year. However, it is difficult to do a straight comparison of 2011/12 funding from grants with previous years as the Government has included a number of specific grants within the formula grant, and excluded others previously included.

The revised Medium Term Financial Strategy, (MTFS), covers the period 2011-15. It identifies the likely costs and pressures that the council will face and matches these against the anticipated resource allocation over the period against reduced funding. There remain a number of significant financial pressures that the council will face in the medium to long term including:

- the increased cost of waste collection and disposal;
- growing elderly population and care demand;
- increasing number of child care referrals;

- increasing expectation of effective partnership working alongside a reduction in funding for our key partners;
- significant shortfall in the funding of the council's pension fund;
- un-costed contingent liabilities

As an integral part of the 2011/12 budget, each department has developed Budget Delivery Plans, which for 2011/12 total £13.3m. It is now essential that we ensure robust, regular monitoring of progress against these plans.

Our ability to generate income also remains under pressure. We continue to strive to improve our income collection rates in all major areas including council tax, NNDR and sundry debtors. Challenging income targets have been set for 2011/12 however there is a risk that the economic climate could continue to impact on our ability to be able to achieve these targets.

Alongside existing financial pressures there is a need for significant future investment in our ICT systems. The council needs to fundamentally change the way in which it works to meet the challenging diminishing resources that we face and better joined up systems, integrated around the customer, will be crucial.

We still have an ambitious and significant investment programme in physical assets and local infrastructure. However the council has reviewed and updated its medium term capital programme considering the current economic climate, accounting for future risks around government capital allocations and achievability of capital receipts.

Civic Centre Listing

The listing of the Civic Centre as a Grade II building by English Heritage continues to have a potentially significant financial impact on the Council.

In order to properly address the impact of the Grade II Listing, the Council worked with English Heritage and Avanti Architects, to identify the scope of a variety of potential refurbishment options for the building.

Following the completion of the joint EH/PCC Feasibility Study the Council progressed with analysis of the Options arising from the Study and conducted a formal marketing exercise of the Council's freehold interest in the Civic Centre, Council House and the Civic Centre car park. Expressions of interest from developers have now been received and a number of development options are being considered in the context of the Council's overall Accommodation Strategy and current property market conditions.

As on-going work the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks.

Employee Relations

The Council faces a potentially significant risk of litigation and awards relating to employment practices. It therefore maintains an in-house resource to advise on legal matters and risks in relation to employment issues and risks. The in-house resource

primarily acts on behalf of the Council for equal pay disputes, grievances and Employment Tribunal claims and case management discussions at Tribunal.

No provision for successful claims has been made within the Authority's accounts although a capitalisation direction has previously been offered on the conclusion of claims through compromise agreements.

The Comprehensive Spending Review in October 2010 imposed significant budget reductions across the Council which has necessitated a major review of staffing levels and costs.

Extensive negotiations are therefore continuing with Trade Unions over a package of proposed changes to staff Terms and Conditions.

The Trade Unions also continue to be consulted on the implications of departmental delivery plans drawn up to achieve budget reductions across all Services as a result of the Government spending cuts.

The Council's core system for payroll is expected to be retendered and transferred during 2011/12. Proposals and a business case will ensure sufficient resource and time allocated for the maintenance and provision of this core system including business continuity and a second data centre as part of the programme funding.

Health Inequalities

Health inequalities have been identified in the Plymouth Report as the most pressing equality issue in our city. This has led to significant differences in life expectancy between different Neighbourhoods and between men and women.

In order to address this, the council has worked with Plymouth 2020 partners to set targets to close this gap. An interim action plan was delivered last year to kick start work addressing health inequalities, and a new plan from 2011/12, is being developed via the Plymouth 2020 Partnership.

The council is seeking to be an early adopter of a Health & Well Being Board which will give further focus on health inequalities and identify need through a Joint Strategic Needs Assessment. The council is also working on plans for the transfer of Public Health from the Primary Care Trust to the council, which will support this agenda.

Carefirst

It was reported to the June 2010 Audit Committee that "Senior Management has demonstrated strong leadership by taking on board the findings of the 2009/10 audit review and taking swift and proactive action to address the issues raised". The associated improvement programmes continue, with the dedicated CareFirst Team providing the necessary core of expertise and focus.

The Carefirst application and associated work processes remain crucial components in the safeguarding and supporting of the vulnerable within the local community and funding has been identified for the CareFirst programme through to the 2014/15 financial year.

Improvements continue to be made in each of the four key areas of control identified within the 2009/10 internal audit report. Governance is much improved with good clarity, and

links, between strategic and operational structures, improved training processes and a good level of interest and support from members. Significantly, there has been a marked improvement in user perception of CareFirst, with the staged approach to process engineering and improving reporting providing both beacons of good practice and the champions for the changes occurring.

Although improvements are being made to operational procedures and data security, concerns still remain. Despite proceeding satisfactorily, improvements to operational processes will take time to re-engineer and implement across what is a wide array of service areas. Both user management and change management is vastly improved, but the human and cultural factors that impact on data security mean that good practice will take time to fully embed.

The Adult Social Care care-cycle like for like implementation is already underway with the staged transfer to CF6 commenced and completion planned for early July 2011. Work has also commenced on the enhancements to support the Adult Social Care Transformation programme with the first phase of mobile working planned for pilot in the early stages of July 2011.

A formal audit review of CareFirst is planned for the third or fourth quarter of 2011/12 following the migration of Adult Services to CF6, taking into account the key risks of change.

Waste PFI/Future Landfill Allowance Trading Scheme Liabilities

The Private Finance Initiative (PFI) procurement phase for a long-term waste solution was completed to budget and programme with contracts signed in March 2011. Defra confirmed their award of PFI credits to the project in March 2011 and operational commencement is scheduled for 2014 subject to obtaining planning approval in 2011/12.

The project delivery phase continues to be steered and monitored by a Partnership Joint Committee of Councillors and a Partnership Project Executive consisting of senior officers from each of the three Councils.

The project risk register has been refreshed to recognise the project delivery phase risks - the key risk being obtaining successful and timely planning approval. Operational delay consequences have been mitigated as far as possible within the PFI contract and continued waste disposal can be maintained through existing landfill contracts and by purchase of any LATS (Landfill Allowance Trading Scheme) credit shortfall - however continued landfill disposal will have additional budget implications.

Recycling rates improved by around 2% in 2010/11 through new initiatives and hence biodegradable waste to landfill also reduced which has ensured that the Council will remain within its LAT allowances for 2011/12. However it is still forecast that the Council will exceed its LATS allowances in 2012/13 and will need to purchase additional LATS credits until the new PFI solution is in place or the LATS scheme is abolished.

The Council's LATS strategy and purchase needs to be reviewed following the Government's Waste Strategy Review expected summer 2011.

Carbon Reduction Commitment Energy Efficiency Scheme (CRCEE)

Created by DECC and administered by the Environment Agency, the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEE) imposes a carbon tax onto 5,000 of the largest organisations in the UK. The first carbon tax year is April 2011 – March 2012, where £12 will be levied for every tonne of carbon Plymouth City Council emits. The tax is fixed until March 2013, after which the 'carbon credits' will be floated on an open market, and capped by 10% every year which is expected to increase the cost of carbon. The tax burden for 2010/11, payable in April 2012, is anticipated to be £350,000.

A league table will be published in October of each year showing the participants' ability to reduce carbon relative to each other. The first league table is due in October 2011, where participants will be compared against their ability to achieve 'Early Action Metric' points. Points are allocated based on an organisation's ability to manage carbon effectively according to a recognised standard, and based on the amount of energy covered by devices commonly known as 'Smart Meters'.

Plymouth City Council has taken following measures to mitigate against the legal, reputational and financial risks associated with the CRCEE:

- Setting up of a carbon management working group with relevant stakeholders across the council
- Working with internal audit to ensure compliance.
- Working towards accreditation of the carbon management standard ISO14064
- Installation of 'Smart meters' across our building portfolio and schools
- Using an energy management system for more effective energy demand and billing control

Partnerships

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities. In many instances these relationships bring additional grant funding to the Council and provide increased opportunities to improve the quality of life for the people of Plymouth.

Recognising that each partnership will require differing levels of governance depending on the complexity of the agreement, the Council has produced a Partnerships Register which assesses each partnership for significance.

Significant partnerships have their own risk registers and risk is managed through Partnership and Programme Boards as a routine part of performance management.

However, in order to improve consistency and produce a standard governance framework for the setting up and management of partnership arrangements, particularly with regard to financial implications and the management of risks and opportunities, the Council has produced a draft Partnerships Code of Practice which is due to be consulted upon with key stakeholders.

Information Governance

In September 2010, the Internal Audit Service issued a report which concluded that fundamental weaknesses existed in the Council's corporate information management arrangements. The findings of that report were accepted by the Council's Senior

Information Risk Officer and Corporate Information Manager and were discussed at Audit Committee in November 2010.

The report included an Action Plan which is now being progressed. The Corporate Information Manager has attended Audit Committee, in March 2011, to update them on the positive steps that are being taken to embed information management principles throughout the organisation and other key actions which are being taken to formalise responsibilities and improve staff training and awareness.

As a first step, the Operational Risk Management Group has led on the inclusion of information governance risks in all departmental risk registers and the baseline information from this exercise will inform future mitigation actions.

The Audit Service has now completed a follow-up exercise to establish the extent of progress made towards implementing the recommendations contained within the report and this review has confirmed that the agreed actions are being taken in a logical and orderly fashion. Progress will continue to be monitored and reported on a regular basis.

Health and Social Care Reforms

The proposed Health and Social Care Bill for the reform of the NHS currently under national consultation brings a range of potential opportunities and risks for the council. These include:

The establishment of *Health and Wellbeing Boards* to oversee the strategic commissioning of health improvement and the delivery of integrated services. As the proposed White Paper is under a further stage of consultation the exact implications are unclear: however in order to mitigate these the council alongside NHS Plymouth is piloting the new approach as a pathfinder.

The legal duty for councils to establish *HealthWatch* organisations to scrutinise the local NHS. The funding for these services is not yet clear and this remains a risk to the Council although there are strong indications that funding will reflect the current level in local LINKS which the Bill will abolish. Governance arrangements are a minor risk as the plan is for links to be governed nationally under an umbrella organisation. Risks to the council will be mitigated through the procurement process once the Bill is passed. The Council is supporting Links to become a pathfinder for HealthWatch.

The transfer of some *Public Health* responsibilities from the NHS to Local Government and the establishment of Public Health England. As yet the division of statutory duties and funding between Public Health England and Local Government remain unclear: risks are potential mismatches in the transfer of funding and responsibilities.

Establishment of *GP commissioning consortia* and the abolition of PCTs and Strategic Health Authorities remains a fundamental plank of the NHS reforms but the extent to which GPs will manage financial risk is still under debate. The key opportunity for the Council is around the need to establish new relationships with GPs as strategic commissioning partners and ensure the local arrangements particularly in relation to the Quality Innovation, Improvement and Productivity (QIPP) programme are maintained.

Actions underway to mitigate these risks include a programme of meetings and events with leading GPs to establish new relationships and accelerating of the Adult Social Care transformation programme and investment into social care reablement.

In addition to the NHS reforms, the national Transforming Community Services (TCS) programme has resulted in Plymouth in the separation of provider functions from commissioning within the PCT and the plans to establish a new organisation providing community health care as a social enterprise (SE). The current partnership arrangements for learning disability and mental health services will need to be reviewed as part of these changes.

Reduction in government funding for housing and regeneration schemes

As a result of the Comprehensive Spending Review, capital funding nationally has been reduced by 70%, and a new Affordable Rent Tenure (ART) is introduced with less grant per home and a correspondingly higher proportion of private sector funding and rent levels.

While we have a good programme for 2011/12, we need to ensure investment comes into Plymouth in the following years of the new CSR. Private Sector Renewal Grant has been deleted which reduces our ability to improve poor standard privately rented or owned homes, and support adaptations to the level we have previously.

To mitigate the impact of this we have:

- Engaged with partners to analyse the housing market impact and have developed a 'Plymouth ask' to maximise investment, while mitigating ART impact on affordability.
- Included Council owned sites for affordable housing as packages to input into the bids to ensure we capture and maximise investment into Plymouth
- Re-profiled and managed last year's capital spend to ensure we focus on essential / mandatory private sector housing issues to support adaptations and other private housing interventions over the next two years
- Begun a revision of the Private Sector Assistance Policy to include a range of loans as well as grants to stretch money further.

Statutory compliance – corporate asset management

Further to changes in the council organisation following initiatives like stock transfer, in order to ensure continuing legislative compliance and provide a clear and efficient service to customers and members of the public for identification of property responsibility, consideration is required over the internal ownership of Council land and buildings. There is potential risk for the council that currently buildings are not fully compliant for Legislative safety testing like gas, electricity and water. Non-compliance could expose the Council to the risk of prosecution and litigation for claims.

With further future potential operational changes like the council's accommodation strategy a consistent approach to management of council property is required to ensure opportunities for efficiencies are maximised and potential risks are minimised.

The Council is looking to move to a "Corporate Landlord" model under which the ownership and management of all corporate assets will be centralised in one area to ensure that all buildings are subject to existing corporate testing contracts.

Education Reforms

The Council's *Investment for Children* strategy which was adopted in December 2008 encourages schools to develop independence in the context of increased collaboration

between schools. The Councils relationship with schools is changing from a provider of education to a commissioner of education places. The Council's strategy maps out this different relationship.

The Academies Act 2010 has changed dramatically the way in which Schools can seek greater independence and the encouragements, particularly financial, have resulted in a rapid increase in the pace of this change. As of the 1st April 2011 Plymouth had the highest proportion of Academies in the country as 7 secondary schools converted on that date, taking the number of Academies in the city to 11.

Academy transfers result in a financial loss for central council budgets but a gain in academy budgets. The net position for Plymouth is a substantial gain. It was reported to CMT in the spring that the modelled position on the likely transfers would be of the order of £6m increase. Nevertheless there is a substantial risk that the reducing Council budgets, combined with reduction budgets from the fiscal position of all councils could result in a reduction of services to schools that remain in the maintained sector.

To mitigate the impact of this we have:

- Developed a Corporate Impact Group that includes Finance, Legal, Human Resources, Property and Education officers and which deals with the transfers and seeks long term protections in the legal transfer documents.
- Developed an Academy Trading Fair document that seeks to ensure there is clarity for Academies on the Local Authority services, their cost and their value.
- Worked through Head teacher associations, PASH, SHAP and PAPH, to maintain the challenge to Academies that retains the collaborative approach in the city.
- Maintained the cohesive nature of Schools Forum in the financial fairness and transparency in funding for schools which allows the financial effects of Academy transfers to be comprehensively understood.

Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for further improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

To the best of our knowledge, the internal control environment as defined above has operated effectively during the year.

Barry Keel
Chief Executive

Cllr Vivien Pengelly
Leader of the Council

Adam Broome
Director for Corporate Support

Dated

Dated

Dated