

WIRRAL COUNCIL

CORPORATE GOVERNANCE CABINET COMMITTEE

26 OCTOBER 2011

SUBJECT:	CORPORATE GOVERNANCE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF EXECUTIVE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEVE FOULKES
KEY DECISION?	NO

EXECUTIVE SUMMARY

- 1.1 The report is presented in response to the Cabinet resolution of 22 September 2011, to set up a Cabinet Committee to drive forward changes in the way the Council is run.

2.0 RECOMMENDATIONS

- 2.1 That the Cabinet Committee:
- a) Notes the Terms of Reference for the time-limited Committee (to 31 March 2012) and suggests any amendments and/or additions.
 - b) Notes the membership of the Cabinet Committee to 31 March 2012.
 - c) Agrees a schedule of meetings which ties in to the existing three-weekly Cabinet cycle to 31 March 2012 when it is anticipated that the role of the Cabinet Committee in relation to Corporate Governance will come to an end.
 - d) Agrees the proposed whole-systems approach, including the creation of a turnaround team. Proposals for the composition of this turnaround team are presented elsewhere on the Committee's Agenda for this meeting, together with a proposed comprehensive programme of activities.
 - e) Notes that proposals for the review of Internal Audit are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
 - f) Notes that proposals for the review of Legal and Committee Service Team are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
 - g) Notes that proposals for the review of Performance Management are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.
 - h) Notes that proposals for the establishment of a dedicated Policy Unit are presented elsewhere on the Committee's Agenda as part of the comprehensive programme.

- i) Agrees a review of all reports submitted by the Officers to any Committee of the Council within the last 3 months from a Corporate Governance perspective by the turnaround team to identify opportunities for improvement. This will be included as part of the comprehensive programme.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The Council is responding to a recent independent report (by AKA Ltd, the trading name of Anna Klonowski Associates Limited) which criticised the Corporate Governance of the Council. Failure to respond appropriately would mean that the Council and its residents remain at risk of:

- a) service failure
- b) external inspection under the Local Government Act 1999
- c) failure to respond appropriately to the self improvement regime anticipated from April 2012

4.0 BACKGROUND AND KEY ISSUES

4.1 Background

4.1.1 AKA were engaged by the former Leader of the Council to undertake an independent review of the Council's response to claims made by Mr Martin Morton. AKA produced a Supplemental Report entitled 'Wirral Metropolitan Borough Council's Corporate Governance Arrangements: Refresh and Renew' (The Corporate Governance Report) which summarises organisational weaknesses which the Council has failed to address.

4.1.2 Cabinet considered the report on 22 September 2011 and resolved to accept the criticisms unreservedly and the recommendations designed to help the Council move forward.

4.1.3 Cabinet resolved to establish a time limited Cabinet Committee [The Corporate Governance Committee] tasked with driving forward the changes which need to be made in the way the Council is managed and in the organisational culture. It is anticipated that the work of this Cabinet Committee will be concluded by 31 March 2012.

4.1.5 Cabinet also noted that the Leader will be seeking to discuss with both opposition party leaders for all three parties to work together to help resolve the issues raised.

4.1.4 The Governance Report proposes a number of work streams to address the issues:

- 1) A Councillor Working Group supported by Officers
- 2) Taking the Lead Delivery Team

- 3) Review and Improve Corporate Governance Development and Training across the Council
- 4) System Stress Tests across the Council
- 5) Corporate Governance Amnesty

4.1.5 Cabinet also asked the Cabinet Committee to

- a) consider an initial report (from the Director of Finance) on ways to strengthen the Council's Internal Audit Team.
- b) consider an initial report (from the Director of Law, HR and Asset Management) on ways to strengthen Legal and Member Services.

4.1.6 Cabinet additionally referred proposals in respect of Performance Management to the Corporate Governance Committee. The resolution states: "In the light of the recent receipt of the independent report on Corporate Governance, Cabinet believes this report [Performance Management] should first be referred to the newly set up Cabinet Committee [The Corporate Governance Committee] in order to ensure that it meets all the necessary requirements to help the Council tackle the major problems ahead."

4.1.7 On 29 September 2011, Employment and Appointments Committee agreed that the Cabinet Committee considers the creation of a dedicated Policy Unit working directly to the Chief Executive, and the creation of a new post of Head of Policy Unit.

4.1.8 It is proposed that this initial meeting of the Cabinet Committee therefore:

- a) notes the Terms of Reference for the Committee, including membership and frequency of meetings
- b) considers the proposed methodology of a governance review as a basis of addressing the issues in the report
- c) considers potential responses to specific service issues, namely:
 - i) resourcing a turnaround team
 - ii) Internal Audit
 - iii) Legal and Committee Service Team
 - iv) Performance Management
 - v) Policy Unit

4.2 Terms of Reference

4.2.1 The initial Terms of Reference are recommended in The Corporate Governance Report and have been confirmed by the Leader to be:

- a) Assessing and reporting on Wirral Council's current performance against seven Corporate Governance questions;
 - i) How well are the authority's policies implemented in practice?

- ii) How well are the authority's values and ethical standards met?
 - iii) How well are laws and regulations complied with?
 - iv) How well are required processes adhered to?
 - v) Are financial statements and other published information accurate and reliable?
 - vi) Are human, financial and other resources managed efficiently and effectively?
 - vii) Are high quality services delivered efficiently and effectively?
- b) Identifying and agreeing recommendations that will address existing shortfalls and/or deliver improvements required by Sector self-regulation and Improvement, and existing CIPFA guidance setting out what good governance looks like.
 - c) Agreeing, initiating and overseeing the individual work streams and co-ordinating the collective work programme required to deliver the Wirral MBC "Taking the Lead" initiative.
 - d) Agreeing and monitoring "delivery trajectories" for each workstream.
 - e) Making regular progress and performance reports to the Council's Cabinet and Scrutiny functions.
 - f) Where necessary, seeking approval to make changes that impact positively on Corporate Governance and, if required, make recommendations to the appropriate governance body authorised to make such changes.
 - g) Reporting to Cabinet and/or full Council with feedback reports and/or recommendations as appropriate.

4.2.2 Cabinet has resolved that there will be five Members of The Governance Committee including The Leader and Deputy Leader of the Council. The other members, determined by the Leader, are the Cabinet members for Corporate Resources, Children's Services and Lifelong Learning, and Social Care and Inclusion.

4.2.3 Given the urgency which Cabinet requires the issues raised in The Governance Report to be addressed (by April 2012), and the considerable workload already identified, The Governance Committee may wish to consider the frequency of its meetings and tie them in to the Cabinet cycle to enable regular reporting.

4.3 Corporate Governance Overview

4.3.1 The Governance Report identifies ten areas of Corporate Governance and suggests that the Council needs to address issues in eight of those areas.

Area of Corporate Governance	AKA Assessment (X= issues to be addressed)
Financial Issues	X
Member Capacity	X
Officer Structures	X
Service Quality	X
Corporate Planning	X
Partnership Working	
Procurement	X
Community Engagement	
Risk Management	X
Equalities	X

4.3.2 Additionally, Members may also wish to review specific service areas to ensure best practice from a governance perspective. The Governance Report clearly identified Internal Audit and Committee Services as areas, which if strengthened, will enhance corporate governance.

4.4 Proposed methodology

4.4.1 In order to answer the fundamental questions laid out in the terms of reference for the Governance Committee (4.2.1(a) above) and therefore to address issues identified at 4.3.1 above, it is essential to understand:

- a) how the Council should be performing
- b) how the Council currently performs in relation to each issue, and
- c) to identify and implement an improvement plan which will deliver significant improvements in process and outcomes by 31 March 2012.

4.4.2 It will therefore be necessary to apply 'stress tests' in each area of governance, to establish current performance and further to ensure that any improvement plan has been effectively implemented.

4.4.3 The Governance Committee will be supported by the three Statutory Officers of the Council (Chief Executive, Monitoring Officer and Section 151 Officer); however, the approach requires a dedicated turnaround team working closely with and on behalf of the Governance Committee to drive improvement in a co-ordinated and timely manner. The Governance Committee will need to hold Members and Officers to account in order to maximise performance and improvement.

4.4.4 Prioritisation of Issues

- a) Many of the issues are inter-related: it will therefore be necessary to develop a whole-systems approach rather than dealing with issues in isolation. However, the critical issue facing the Council is the need to provide appropriate services within the context of diminishing resources. These services need to be provided in such way that service delivery can be held to account and corporate governance reinforced. These issues will underpin service delivery for the foreseeable future.
- b) Therefore, the Council must address the overarching Corporate Planning Framework and underpinning processes in tandem with annual budget planning and medium term financial strategy development.
- c) Given that the Council is aware of the likely resources for the following three years, key issues revolve around the service implications of the resources allocated. Critical to this process is service planning (at team, service and departmental level), and the corporate understanding of relative risk in business decisions. Corporate performance monitoring underpins this approach.

4.4.5 Examples of basic Stress Tests

The following are examples of basic stress tests. It is not a comprehensive programme, but rather it illustrates how an integrated programme will be developed.

- a) Strengthening the instruments of governance:
 - How many reports go to Members or the Executive Team without appropriate finance and legal involvement? Does the governance framework prevent this?
 - How do the Members, and the statutory officers know if appropriate corporate functions, including finance and legal teams, have been involved in the development of policy and/or service development?
- b) Officer Structures
 - How is accountability exercised in corporate functions? How do appointments to devolved corporate functions occur?
 - Policy function – Do Members and officers understand the potential role and function of a Policy Unit? How does/should the policy unit work with the Members and the Departments? Do Members and officers understand the distinction between Policy and Performance?
 - Performance function – Do Members and officers understand distinction between Performance Management and Performance Monitoring and how this is linked to the Member and Officer Accountability and Responsibility frameworks?

- c) Equalities and Diversity
- How well is the Equalities and Diversity legislation understood by Members and Officers? How does the Council ensure that policy development, service delivery and recruitment processes meet the requirements of Equalities and Diversity legislation together with meeting community needs?
- d) Service Quality - Specific Services
- DASS – how well is the Department performing particularly in response to criticisms levied by external agencies.
 - The Audit Commission’s Annual Governance Statement contained a qualified opinion on value for money which drew attention to weaknesses identified in the arrangements for securing value for money in respect of the HESPE Contract and other governance and internal control issues arising from whistleblowing issues and from the recording and control of assets.

At Cabinet on 13 October 2011 it was agreed that specific attention should be paid to the issues drawn out as a reason for the qualification and that I should launch an immediate investigation into how these failings occurred and how they can be remedied for the future and report back to Cabinet.

In the light of implications for the letting of contracts across the Council of the statement by the Audit Commission “The Council is not able to provide information on activity and performance to determine whether it is securing better value for money spent” I have also been asked to address this matter urgently.

- e) Service Quality – Corporate Functions
- Fees and Charges: Service managers are responsible for charging policies and their implementation in conjunction with the Director of Finance. How do Members know that all risks have been considered in proposals? Are the implications, including those of equality and diversity, for users and the Council clearly identified? Have all legal issues been addressed?
 - Procurement – Are formal procurement processes embedded consistently across the whole Council? Do Members and officers understand the rules? How does each department’s procurement plans link to service planning? How do Members and the Statutory Officers know that the rules have been followed?

5.0 RELEVANT RISKS

- 5.1 Embedded appropriate corporate governance arrangements ensure that:

- a) Authority policies are implemented in practice,
- b) Authority values and ethical standards are met,
- c) Laws and regulations are complied with,
- d) Required processes are adhered to,
- e) Published information is accurate and reliable,
- f) Human, financial and other resources are managed efficiently and effectively, and
- g) High quality services are delivered efficiently and effectively.

A failure in effective corporate governance therefore means there is a risk that these fundamental issues have not been met.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 None: the Corporate Governance Report sets out issues and recommendations identified by an independent external review commissioned on behalf of the Council. The proposals in this report follow the recommendations of the Corporate Governance Report.

7.0 CONSULTATION

- 7.1 A vulnerable group of people with learning disabilities in the care of Wirral Council was abused by this Council over many years. It is imperative that the Council addresses all the weaknesses that contributed to this unacceptable outcome.
- 7.2 Opportunities for Members to review progress by engaging with officers and citizens will be included in the comprehensive improvement programme.
- 7.3 Where appropriate external agencies, councillors and officers from other authorities will be consulted and asked to share knowledge.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 The objective is to improve corporate governance which underpins how the Council engages with the community.

9.0 RESOURCE IMPLICATIONS

- 9.1 Financial, IT and assets: none directly arising from this report
- 9.2 Staffing: should the Committee choose to bring together a time limited turnaround team to help deliver the identified improvement programme, there will be implications on the service areas from which the team is drawn.

10.0 LEGAL IMPLICATIONS

10.1 Until the existing legislation is repealed, the Council could be subject to an external corporate governance inspection under Section 10 of the Local Government Act 1999.

11.0 EQUALITIES IMPLICATIONS

11.1 Equalities is an area of corporate governance weakness identified by AKA. It is identified in this report as a priority.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None.

REPORT AUTHOR: Jim Wilkie
Chief Executive
Telephone: 0151 691 8589
Email: jimwilkie@wirral.gov.uk

REFERENCE MATERIAL

SUBJECT HISTORY

Council Meeting	Date
Cabinet	22 September 2011