

Audit Committee – 5 January 2015

Corporate Governance Review – January 2015 Update

Summary of report

To provide Audit Committee with an update on the council's corporate governance review.

Background papers

Audit Committee minutes, Grant Thornton's Annual Audit Letter for Walsall Metropolitan Borough Council 2013; Corporate Governance Forum terms of reference and work plan; and Local Code of Governance.

Recommendations

1. To note the contents of this report and agree to receive an update at a future meeting in relation to progress against the action plan.



Paul Sheehan

22 December 2014

Resource and legal considerations

Sound corporate governance arrangements contribute to ensuring that resources are directed in accordance with agreed policy / procedures and according to the priorities agreed by the Council; that there is sound and inclusive, fair, decision making; and that there is clear accountability for the use of those resources, in order to achieve desired outcomes for service users and communities.

In their Annual Audit Letter dated October 2013, Grant Thornton made recommendations under Section 11(3) of the Audit Commission Act 1998 that the Council should:

- review existing governance processes and procedures to provide assurance that the existing governance framework is fit for purpose; and
- investigate how governance is applied across the Council, to ensure that expected ethical standards are reinforced and that a culture of compliance is embedded throughout the organisation.

The Council has been undertaking a review of its overall governance arrangements, most notably through the work of the Corporate Governance Forum (the 'Forum') which is chaired by the Chief Executive.

This report supports the Audit Committee's role in sound governance by receiving updates on the work of the Forum and in ensuring that Grant Thornton's recommendations are implemented.

Governance issues

The Audit Committee has an integral role that is central to the Council's governance framework. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment; and to oversee financial reporting. Most notably in relation to this report, the Audit Committee's powers and functions include being satisfied that the council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions taken to improve it; to review the effectiveness of key control strategies including the local code of governance; and consider external audit reports. This report supports the Audit Committee in exercising those functions.

Citizen impact

Good governance means focusing on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area. It is about engaging with local people and other stakeholders to ensure robust public accountability. The work of the Audit Committee is intended to ensure that effective governance arrangements are in place. It maintains public confidence in the fair distribution of resources, and achieves best value in the delivery of services.

Performance and risk management issues

Performance and risk management form part of the corporate governance framework. Part of the Audit Committee's role is to seek assurance that the council's performance and risk management arrangements are robust and operating effectively.

Equality implications

Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Having good governance arrangements in place supports the council in its commitment to equality of opportunity both operationally and in terms of the service and resources provided to the people of Walsall.

Consultation

The terms of reference and work plan for the Corporate Governance Forum; and the revised Local Code of Governance have been consulted on with the external Auditors Grant Thornton, Executive Directors and directorate management teams as well as the Audit Committee.

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Corporate Governance Review – January 2015 Update

Introduction

This report is to further update the Audit Committee following the report it received on 1 September 2014. A link to the 1 September 2014 report is as follows:

[1 September 2014 Report](#)

Progress – January 2015 Update

One of the work streams of the Forum was the commission of Grant Thornton to provide an independent review and challenge to the Forum's work as well as comment on the council's wider corporate governance arrangements. Their brief, as set out in a letter of engagement issued in February 2014, was to:

- review the outcomes of the Forum;
- assess the level of understanding, compliance and attitude towards governance; and
- comment on implications for embedding the revised governance framework.

As part of their work, Grant Thornton also considered Internal Audit's corporate governance report, which Audit Committee considered on 1 September 2014.

The outcome of Grant Thornton's work is detailed at **Appendix 1**.

In the executive summary of their report at page 7 they state:

'Following our work set out in this report, we consider that the specific failures that triggered this review were not evidence of fundamental weaknesses to the Council's overall governance framework. This led us to conclude that the Council is making sufficient progress in addressing the statutory recommendation made in the 2012/13 Annual Audit Letter. On this basis no statutory recommendations are required at this time. We do, however, consider that maintaining and reinforcing the Council's 'corporate governance compliance culture' will be an area of ongoing priority for its political and officer leadership. This matter is fully accepted by the Council'.

Grant Thornton also 'commend the council for its response to date and will continue to support its work on embedding a strong well governed culture in support of its services'.

At Appendix B of their report, Grant Thornton make suggestions for taking forward the findings of their review and further embedding governance in the form of an action plan. The council's response to the action plan was agreed by the Corporate Management Team on 18 December 2014.

The following has also been implemented since Audit Committee's September 2014 update:

- the statement of accounts received an unqualified external audit opinion;
- the Annual Governance Statement was presented to 24 September 2014 meeting of the Audit Committee; and

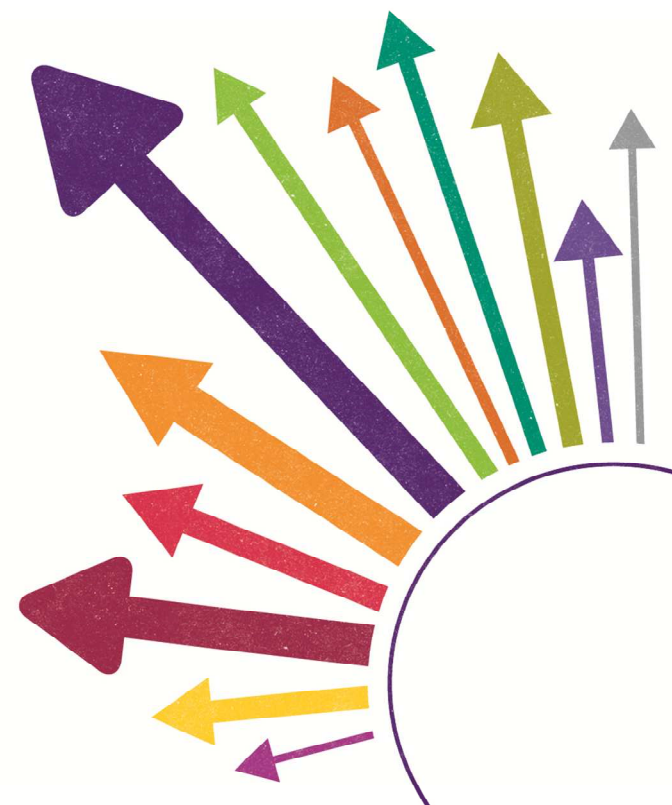
- as most aspects of the Forum's work plan are now complete, the 'Forum' agreed at their meeting of 1 October 2014, to reduce the frequency of Forum meetings. The next meeting is planned to take place in April 2015, where progress against Internal Audit's Corporate Governance Internal Audit Report and Grant Thornton's review will be monitored.

Governance Review for Walsall Metropolitan Borough Council

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Our reference: JR/HB/NC

Walsall Metropolitan Borough Council
The Civic Centre
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20 November 2014

Dear Sirs

Governance Review

We have pleasure in enclosing our report in accordance with our terms of engagement and letter dated 24 February 2014.

Our specific work on this assignment and our cumulative knowledge, gained from our role as the Council's external auditors over the last seven years, has confirmed that having in place an effective governance framework remains a challenge for the Council. It is important that this framework is proportionate to the risks the Council responds to and the levels of value for money it seeks to provide.

A key observation from this work is that it is not just the systems and procedures of governance that need to be effective but also (and arguably more importantly) the attitudes and behaviours of its workforce.

In establishing the Governance Forum the Council has recognised the importance of this agenda and made good progress in reviewing its systems and procedures. However, continued strong leadership from officers and members will be required in order that the necessary cultural understanding, engagement and compliance is served.

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We commend the Council for its response to date and will continue to support its work on embedding a strong well-governed culture in support of its services.

Scope of work and limitations

Our work focused on the areas set out in our engagement letter. Our review does not constitute an audit in accordance with Auditing Standards.

Limitation of liability

We draw your attention to the limitation of liability clauses in paragraph 6.1 of Appendix A of our engagement letter.

Confidentiality and reliance

This report is confidential and has been prepared exclusively for the Council. This report should not be used, reproduced or circulated to any other party in whole or in part, without our prior written consent.

Contacts

If there are any matters upon which you require clarification or further information please contact Jon Roberts on 0121 232 5410.

Yours faithfully

Grant Thornton UK LLP

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Section 1 Executive summary

01. Executive summary

02. Outcomes of the Corporate Governance Forum

03. Recognised best practice

04. Levels of understanding, compliance and attitude

05. Implications for embedding the revised governance framework

The Council has requested that this review of its governance arrangements is performed. The findings from this review are set out on the following pages. The implications arising thereon, are intended to help the Council identify areas for improvement that can be applied in the management and implementation of on-going governance arrangements.

Project Brief

Review

Review the outcomes of the Council's Corporate Governance Forum, which has been specifically set up to review the Council's governance framework, in terms of the Council's overall governance procedures and comment on how they compare with best practice.

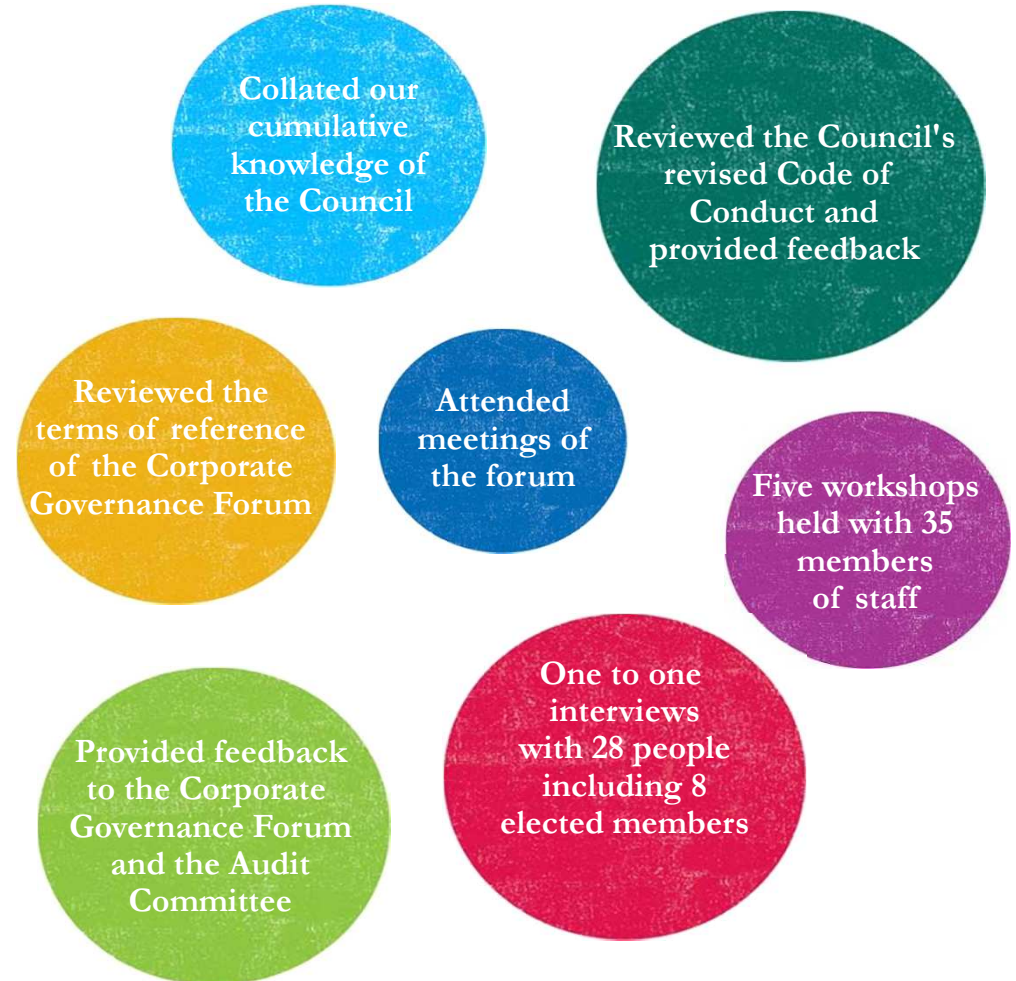
Assess

Assess the levels of understanding, compliance and attitude towards proper governance at the Council, examining in more detail the question, was **governance a help or hindrance?**

Comment

Comment on implications for embedding the revised governance framework, communication of plans and the on-going adequacy of the Council's planning, monitoring and review arrangements.

What we have done



Key observations

Overview

- We have attended the Corporate Governance Forum meetings and assessed the levels of understanding, compliance and attitude towards proper governance at the Council through a series of interviews and workshops.
- The Council's internal auditors have recently undertaken a corporate governance review which included a questionnaire to gather opinions on governance in the Council. We have built upon the work carried out by Internal Audit by reviewing the responses with the Head of Internal Audit, and using them to inform our own interviews.
- These have included a combination of one-to-one interviews with both employees and members, and group workshops with a variety of staff across a range of directorates and across a range of levels of seniority.
- Our assessment of the levels of understanding, compliance and attitude towards proper governance at the Council are consistent with the findings of Internal Audit from its Corporate Governance Review. We have previously fed back details of key findings arising from the preliminary interviews and workshops.
- Key observations from our work are that the Council should look to improve communication and integration between its operational and corporate functions and seek greater clarity of understanding of Council priorities. Further detail is set out on the following pages.
- We would like to record our appreciation for the assistance, co-operation and frankness with which the feedback was provided to us during our review by the Council's staff and members.

Review of progress against section 11(3) recommendation

- The Council disclosed under Section 5, Significant Governance Issues, of its Annual Governance Statement in 2012/13, that a number of significant governance issues have occurred during 2011/12 and 2012/13. These related to two specific instances where employees in different service areas of the Council were found not to have acted in the best interests of the Council and had breached its expected standards of governance and internal control framework.
- These issues had been identified and were being addressed by the Council and therefore did not warrant qualification of the 2012/13 Value for Money conclusion under the Commission's two specified criteria. In addition, as the matters were being progressed by the Council in 2013/14 we were able to certify our 2012/13 audit as complete.
- However, we considered that the specific issues had highlighted the importance of establishing a greater corporate 'compliance culture' for the Council's internal controls and governance arrangements and we therefore made a statutory recommendation as part of our 2013/14 audit. This recommendation was as follows:

Recommendation under section 11(3) of the Audit Commission Act 1998

The Council should:

- review existing governance processes and procedures to provide assurance that the existing governance framework is fit for purpose
- Investigate how governance is applied across the Council, to ensure that expected ethical standards are reinforced and that a culture of compliance is embedded throughout the organisation.

- Following our work set out in this report, we consider that the specific failures that triggered this review were not evidence of fundamental weaknesses to the Council's overall governance framework. The led us to conclude that the Council is making sufficient progress in addressing the statutory recommendation made in the 2012/13 Annual Audit Letter. On this basis no statutory recommendations are required at this time. We do, however, consider that maintaining and reinforcing the Council's 'corporate governance compliance culture' will be an area of ongoing priority for its political and officer leadership. This matter is fully accepted by the Council.

Key observations (continued)

Key observations

We would note that the following pages contain observations based on comments from members of staff with whom we have engaged at workshops, which were, therefore, the personal opinions of those we spoke to, who were encouraged to be forthright in their opinions.

Issue	Observations
Golden Thread	<ul style="list-style-type: none"> • We encountered mixed views on whether the 'Golden Thread' linking consistently the Council's strategic priorities with its governance framework exists but most of those who mentioned it were commenting on its absence. • Many people commented that they would like to see not only the service plans being formally reintroduced, but also the Golden Thread being clear and evident from the Corporate Plan, to the service plans to the team plans (where applicable) and into individual's objectives, as not everyone was clear how they <i>"fit in"</i> with the bigger picture.
Strategic alignment	<ul style="list-style-type: none"> • There was a mixed response from interviewees and workshop attendees, firstly as to whether people are aware of the Council's vision and strategy, and secondly whether they wished to be (from a personal engagement perspective). • There was a general lack of clarity over the Council's longer term direction. • Interviewees questioned whether the Council knows what sort of organisation it wants to be? • On the whole, relationships between councillors and officers was good. However, the new joiner workshops identified the perception that councillors and officers do not seem to work in a joined up manner, at least in comparison to other authorities. • Departments appear to work in silos. New joiners commented that this was more so than at other authorities.
Performance Management	<ul style="list-style-type: none"> • The application and use of performance management is mixed at both individual and corporate levels. • In the opinion of interviewees the Council has "blown hot and cold" with respect to corporate performance management. The consensus was that people were far more aware when the Council was historically in special measures, but when they were lifted, so too was the appetite for performance management activity. • Councillors were satisfied that they were held to account through this election process. • A support framework is in place and people feel supported in their immediate teams, but inconsistent responses were given as to whether people are held accountable in their day to day roles and responsibilities. Some of the targets may be clear, but were not considered achievable which leads to the feeling that they're being <i>"set to fail"</i>. • We encountered mixed messages being received by employees as to whether appraisals are required. One commented <i>"Is there a corporate commitment to appraisals or not?"</i> • Furthermore, there was some inconsistency between directorates about whether appraisals are being done at all, and further, how well they are done. There is a standard approach but it is <i>"flexibly applied"</i>. • Overall, we concluded that appraisals are seen as task-focussed, rather than behavioural/developmental and are not structured to help people to see how they fit in with the overall vision/strategy..

Key observations (continued)

Key observations

Issue	Observations
Risk averse	<ul style="list-style-type: none"> • The Council has not clearly defined its risk appetite. • We also encountered conflicting aspirations: <i>"does the Council want to meet its priorities or meet its savings targets?"</i> Interviewees were not clear on how the Council was addressing this challenge. • There was positive attitude in that the financial constraints have forced staff to be more creative. For example, one person commented that: <i>"We are not trying to do everything for our customers because we can't so we have become more customer-focussed; talking to people and finding out what's important to them."</i> • Some people commented that innovation is stifled because the Council has been <i>"stung too many times in the past, so now we have to do things strictly by the book"</i> leaving no room for innovation. • Whilst people have creative ideas and suggestions for improvement they commented on finding it difficult to get acceptance to go ahead, or resources to help deliver.
Initiative fatigue	<ul style="list-style-type: none"> • 'In Search of Excellence', 'LEAN', 'Vanguard', 'Working Smarter' and 'Shaping the Future' were all cited as recent examples of initiatives. Questions were raised over what impact each has had, as there has been no perceived transparency of outcomes. <i>"Have objectives been met, or savings made?"</i> • The perception is that lots of time is spent on initiatives, which the Council then doesn't follow through on, as there is insufficient feedback. • There was a perception that the Council shifts from one initiative to another.
Communication	<ul style="list-style-type: none"> • The Core Brief, which is communication by the Chief Executive, is welcomed but it contains a lot of information. • Mixed experiences were reported of whether the Core Brief is cascaded via team meetings. New joiners in particular felt that they were aware of key issues arising from the Core Brief and weekly bulletins, but they felt less well informed of the Council wide issues relevant to their department from team meetings. • The cascade of information is not happening effectively: there are weekly briefs, Core Briefs, and for the relevant staff, manager briefs. This equates to a large amount of information, but not all of it was considered useful, and some key messages can therefore get lost. • Some elements of the weekly brief aren't updated from one week to the next, which can impede people's willingness to ensure they read it week in, week out. • There is a reliance on email communication, but there are certain sections of the Council (and employees) who do not have access to emails. • There is a perceived lack of visibility of the senior management team. • Intranet search facility is poor and the information therein is not always up to date. • Staff commented on not being allowed to 'own' the space in the Civic Centre which makes it difficult to foster team working and communication. They cited examples such as not being able to pin up posters, information or key team messages as barriers to this.

Key observations (continued)

Key observations

Issue	Observations
Policies and Procedures	<ul style="list-style-type: none">• People are aware of what good governance is and that there are policies and procedures to help this in this regard.• Good governance is being "<i>open</i>", "<i>honest</i>", "<i>lawful</i>" and having "<i>structures</i>", "<i>protocols</i>" and "<i>procedures</i>" in place to meet objectives.• Some policies can be obstructive as they are time consuming and can hinder innovation.• The majority of people recognised that policies and procedures are important guidance and can ensure things are done correctly and safely.• People were comfortable with the channels open to them through which they could report anything they had identified that gave them cause for concern.• Training for Councillors was often difficult, due to time constraints and inability to attend, but training was recognised as being fundamental to being able to fulfil the role.• There were little or no refreshers of corporate training for staff.• Officers commented that training requirements can be identified through appraisal and on-the-job processes but the training budget is under pressure, so the training is not always available.• Some staff reported having a corporate induction but nothing more local, ie team based. Others had a local induction but nothing at a corporate level.• Where people had attended the 'Welcome to Walsall' induction, they had found it useful with one describing it as the "<i>best induction ever had</i>".

Section 2 Outcomes of the Corporate Governance Forum

01. Executive summary

02. Outcomes of the Corporate Governance Forum

03. Recognised best practice

04. Levels of understanding, compliance and attitude

05. Implications for embedding the revised governance framework

The following pages summarise the key objectives of the Corporate Governance Group and set out the context to our detailed work.

Outcomes of the Corporate Governance Forum

Brief

Review the outcomes of the Council's Corporate Governance Forum, which has been specifically set up to re-design the Council's governance framework, in terms of the Council's overall governance procedures and comment on how they compare with best practice

- The Council has commenced a detailed strategic review of the existing corporate governance arrangements in place following issues arising over a number of years, but most recently, those reflected in the 2012/13 Annual Governance Statement and the recurring levels of unplanned audit work carried out in recent years by the Internal Audit team.
- The purpose of this strategic review is to provide independent assurance to the Council and its stakeholders that the governance framework is robust yet flexible enough to permit the Council to deliver services in a fair and transparent manner, whilst ensuring proper stewardship of public money.
- In order to achieve its stated aims, the Council has put into place the Corporate Governance Forum Group ('Governance Forum' or the 'Group'), which is responsible for the successful implementation and delivery of the strategic review.
- The Objectives of the Group are to:
 - a) Review the Local Code of Governance and Associated Governance Framework
 - b) Consider the implications of the Internal Audit review of Corporate Governance
 - c) Review and Update the Council's Corporate Risk Number 12 – Governance Failure
 - d) Agree 'hearts and mind' approach to communication, leadership and training and enact
 - e) Inform preparation of the 2013/14 Annual Governance Statement

We comment on each of these in these in the following pages.

Outcomes of the Corporate Governance Forum

a) Governance Framework

- We have reviewed the Governance Forum's Terms of Reference and the revised draft Code of Governance considering how they compare with best practice, based on CIPFA SOLACE guidance and our experience from other organisations. We have fed our detailed comments back to the Group. In general, these comments related to the need for:
 - expansion and inclusion of context around the Core Principles contained within the Terms of Reference, so as to enable the reader to understand the nature of each Core Principle.
 - clarification of the steps the Council will need to take in meeting these Core Principles.
- CIPFA, as a professional accountancy body specialising in public services and SOLACE, as the representative body for senior strategic managers working in the public sector (Local Authority Chief Executives and Senior Managers) are ideally placed to provide suitable guidance in this area and therefore we consider that the CIPFA SOLACE guidance remains an appropriate framework by which the Council benchmarks its corporate governance arrangements. We have set out a more detailed assessment of the Council's arrangements against this framework in section 3.

b) Internal Audit review of corporate governance

- The Council's Internal Audit team has undertaken a review of the corporate governance arrangements in place at the Council and attitudes of staff towards those governance arrangements.
- The detailed Internal Audit report was finalised in May 2014.
- We do not repeat the details of the report here, but note that as part of the Governance Forum's objectives the work undertaken by Grant Thornton and set out in this report builds upon the findings of that audit report. Our findings and implications set out in this report are congruent with Internal Audit's findings.

c) Risk Management

- The Council's approach to risk management is set out in its corporate risk management strategy, which designates responsibility for the management of risk across all members and officers of the Council. Services identify and monitor service risks, which feed into directorate risk registers. Each directorate risk register is then used to inform the overarching Corporate Risk Register which is reported on twice a year to officers and members.
- Risk number 12 on the Corporate Risk Register concerns the risk of governance failure. The risk register has been updated accordingly and the Chief Executive, as risk owner, has presented to the Audit Committee on the mitigating actions the Council has in place to manage the risk. We considered the Chief Executive's ownership of this risk is key towards establishing the right 'tone from the top'.

Outcomes of the Corporate Governance Forum (continued)

d) Hearts and minds communication

- The Governance Forum has acknowledged that any changes to the governance structure or other working practices within the Council that may result as part of its review, will need to be communicated effectively and with purpose to ensure that the Council achieves appropriate 'buy-in' from its employees.
- The detail of the communication required is a work in progress but the alternative methods that could be employed have been discussed with employees as part of our interviews and workshops. We discuss these in more detail on page 30 but note the key themes as follows:

Focus on key messages

- Communication to be simplified, concise and clear to improve understanding
- Where decisions have gone a particular way, staff would like to be told the reasons, which would facilitate greater understanding

Consistent

- Consistency required to address the issue noted by some of the different directorates being given different advice, eg use of online shopping websites for procurement

Face-to-face

- To address the issue noted by some not seeing enough of the senior management team
- Allows for Q&A

Outcomes of the Corporate Governance Forum (continued)

e) Annual Governance Statement

- This is currently being prepared by the Council and will be presented to the Audit Committee for discussion and approval on 24 September 2014.
- As part of our financial statements audit, we are required to report to the Council if, in our opinion, the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. The findings from our financial statements audit will be reported to the Audit Committee on 24 September 2014.

Section 3 Recognised best practice

- 01. Executive summary
- 02. Outcomes of the Corporate Governance Forum
- 03. Recognised best practice**
- 04. Levels of understanding, compliance and attitude
- 05. Implications for embedding the revised governance framework

The following pages provide a commentary on the extent to which the Council's Code of Governance reflects best practice and our comments thereon.

Recognised best practice

CIPFA/SOLACE Delivering Good Governance in Local Government

- In 2007, the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government: Framework* and an accompanying guidance note, the principles and standards of which are aimed at helping local authorities to develop their own codes of governance and assist Councils to fulfil their roles accountably.
- In December 2012 an addendum was published, which includes a table listing the key elements of the typical systems and processes that comprise an authority's governance arrangements. In assessing the effectiveness of its governance arrangements, it is therefore expected that an authority will make appropriate reference to these elements.
- The table below shows each element together with a cross reference to where the element is included within Walsall Council's revised Code of Governance. The comments provide more detail from the Council's Code of Governance and how it envisages implementing its own principles.

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	Principle 1: Focusing on the purpose of Walsall Council and on outcomes for the community, creating and implementing a vision for the local area.	<ul style="list-style-type: none"> • The focus of Principle 1 is that Walsall Council will be clear about its purpose and about intended outcomes for citizens and service users and that this will be communicated internally and to external stakeholders. • The comments provided as part of our work into the levels of understanding, compliance and attitude in section 4, suggest that the Council does not communicate its vision and purpose sufficiently well internally. (We cannot comment on the success of its communication externally, as our remit did not extend to liaison with external stakeholders).
Reviewing the authority's vision and its implications for the authority's governance arrangements		
Translating the vision into objectives for the authority and its partnerships		
Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	Principle 1: Focusing on the purpose of Walsall Council and on outcomes for the community, creating and implementing a vision for the local area.	<ul style="list-style-type: none"> • Under Core Principle 1, one of the supporting Principles is that the Council will ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning. • The Council also promises to publish an annual report on a timely basis to communicate its activities and achievements, its financial position and performance and also to decide how value for money is to be measured. An underlying objective of introducing an annual report is to make sure that Walsall Council or its partnerships have the information needed to review value for money and performance effectively. Grant Thornton has considerable experience in assessing and commenting on best practice in annual reporting, drawing upon our experience across a range of sectors and industries. We would be happy to discuss with the Council the content structure and presentation of your annual report as it is produced to assist you in achieving best practice.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	<p>Principle 2</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> Supporting principles are to ensure effective leadership throughout Walsall Council and being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function, ensure that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard and ensure relationships between Walsall Council, its partners and the public are clear so that each knows what to expect of the other. Given recent changes in the Council's political leadership, it will be important to pay particular attention to this Principle, as new arrangements become embedded.
Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	<p>Principle 3</p> <p>Promoting values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> Under this Principle, one of the Council's actions is to ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between Walsall Council, its partners and the community are defined and communicated through codes of conduct and protocols.
Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	<p>Principle 4</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> Supporting Principles include being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny and having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs. The comments provided as part of our work into the levels of understanding, compliance and attitude in section 4, indicate that staff would like to see more transparency in the decision-making that effects them. Whilst we are content with the actual transparency of the Council's decision-making arrangements, this perception needs to be responded to. In addition, past inconsistencies in how certain decisions have been taken, which have not complied with the Council's core procedures, have resulted in difficulties for the Council. Achieving consistent understanding and compliance of the Council's rules and procedures, throughout its service areas, is a key objective from this area of the Code, that will require constant leadership and monitoring. Internal Audit will play a key control in helping the Council to take this forward.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	<ul style="list-style-type: none"> Supporting Principles include being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny and ensuring that an effective risk management system is in place. Some people remarked during our workshops and interviews that people are not always held accountable, as performance management is inconsistently applied.
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	<ul style="list-style-type: none"> There is no explicit reference to counter-fraud and anti-corruption in the actions attached to this Principle but the Council has an Anti-Fraud and Anti-Corruption Policy and Strategy, therefore ensuring that arrangements are in place.
Ensuring effective management of change and transformation	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	<ul style="list-style-type: none"> This will also be effected by ensuring that the Council is compliant with its second Principle; Members and officers working together to achieve a common purpose with clearly defined functions and roles. If the common purpose is change and transformation, then the actions under this Principle, if taken, will ensure that the leadership of this is effective. The success of this element will require robust and transparent effective communication. The feedback we obtained from staff suggests this is not always done effectively.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
<p>Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact</p>	<p>Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> • Under this Principle, actions include to set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and Walsall Council's approach towards putting this into practice, and with regard to the Chief Financial Officer specifically, that they will be responsible to Walsall Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. • We have reported previously to you that the section 151 officer is not a full member of the leadership team and that best practice in accordance with CIPFA's "A Statement on the Role of the Finance Director in Local Government" would be for the role to include membership of the authority's corporate management team. • The Council has advised in response to our previous recommendation, that it is satisfied with the current arrangements. We accept this response, given our knowledge of how the Council works in practice but consider that it should be kept under review should circumstances change in the future.
<p>Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact</p>	<p>Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> • Referred to explicitly in Section 4, Responsibilities, where the Head of Internal Audit's responsibilities are noted as reporting annually to the Audit Committee on audit activities during the year, with particular emphasis on the systems of internal control and the arrangements for corporate governance, providing some of the assurance required in the Annual Governance Statement. We consider the Council has a strong Internal Audit service, which has been required in recent years, to respond to a series of governance challenges. Investing in the development of governance within the Council is key to freeing the Audit team from this responsive work to allow it to deliver more strategic support to service leaders. We would be happy to discuss this 'repositioning' of the Audit service within Walsall Council based on our experience elsewhere and, particularly in other sectors.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Ensuring effective arrangements are in place for the discharge of the monitoring officer function	<p>Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> Under this Principle, actions include to set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and Walsall Council's approach towards putting this into practice, and with regard to the Monitoring Officer specifically, that they will be responsible to Walsall Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with. Given the Council's recent past and the governance risks inherent in the Council, as confirmed through our interviews with officers, it is important that the Council continues to support a strong Monitoring Officer presence within its corporate governance arrangements.
Ensuring effective arrangements are in place for the discharge of the head of paid service function	<p>Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <p>Principle 5 Developing the capacity and capability of members and officers to be effective</p>	<ul style="list-style-type: none"> The Code of Governance notes that the Council will set out a clear statement of the respective roles and responsibilities of other members, members generally and of senior officers. Furthermore, that the Council will make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. In order to be effective the head of paid services will play a key role as the interface between CMT and the political leadership, particularly in light of change of political control following Labour's 14 years in opposition.
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities	<p>Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> Under this Principle actions include, develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee. The Council's most recent Audit Committee has worked well, in our opinion. It is well chaired, comprises members that have the appropriate balance of challenge and intervention and is enhanced by the presence of an independent member. Care will need to be taken to ensure continuity within this Committee during a period of political change.
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	<p>Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> Under this Principle actions include, to actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities, as well as to recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Whistleblowing and for receiving and investigating complaints from the public	<p>Principle 4</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> Under this Principle, one of the Council's actions is to ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by Walsall Council have access. During our conversations, all staff were either aware of the whistle-blowing procedure or were confident they would know where to go for advice or to find it. Many people remarked that they would use their line management hierarchy before considering whistle-blowing, though clearly this would be dependent on the nature of the issue.
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	<p>Principle 5</p> <p>Developing the capacity and capability of members and officers to be effective</p>	<ul style="list-style-type: none"> Supporting Principles include making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. One of the Council's actions is to ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs. Whilst no-one we spoke to had concerns that they were not skilled enough to perform their job, a common theme discussed was that, when training needs are identified, budgetary and resource constraints left training needs to be addressed. We also had concerns that a unified and consistently applied system of individual performance review, linked to tailored development planning for staff was not in place.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	<p>Principle 6</p> <p>Engaging with local people and other stakeholders to ensure robust local public accountability</p>	<ul style="list-style-type: none"> Under this Principle, one of the Council's actions is to ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.

Recognised best practice (continued)

CIPFA/SOLACE element	Code of Governance Mapping	Comments
Enhancing the accountability for service delivery and effectiveness of other public service providers	Principle 6 Engaging with local people and other stakeholders to ensure robust local public accountability	<ul style="list-style-type: none"> Supporting Principles include, taking an active and planned approach to dialogue with, and accountability, to the public to ensure effective and appropriate service delivery whether directly by Walsall Council, in partnership or by commissioning.
Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.	Principle 1 Focussing on the purpose of Walsall Council and on outcomes for the community and creating and implementing a vision for the local area Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles Principle 3 Promoting values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour	<ul style="list-style-type: none"> Supporting Principles include ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners. Practically speaking this will be effected through use of the guidance set out under the Partnership Protocol and Toolkit. Additionally, decide how value for money is to be measured and make sure that Walsall Council or partnership has the information needed to review value for money and performance effectively. Supporting Principles to Principle 2, include ensuring that members are clear about their roles and responsibilities both individually and collectively in relation to partnerships and to Walsall Council. Under Principle 3, actions include the agreement of a set of values, when pursuing a partnership, against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively. Given the on-going financial impact of the Government's austerity agenda, the effective governance of partnership activities will become increasingly critical and it is therefore important that the Council continues to recognise this and invest in its development.

- What this demonstrates is that the foundations of good governance exist in the Council's revised Code of Governance framework, as the elements expected from the CIPFA/SOLACE framework can be mapped in their entirety to the Principles and aspirations of the Council, as set out in its Code of Governance.
- What we are able to show from our interviews and workshops, as well as what Internal Audit demonstrated through its corporate governance review, is that, while the desire at a policy and procedural level exists, it is not always translated effectively into actions, and therefore not always apparent to the wider staff.
- The next section considers in more detail the feedback that was provided by staff, categorised by seven key themes identified.

Section 4 Levels of understanding, compliance and attitude

- 01. Executive summary
- 02. Outcomes of the Corporate Governance Forum
- 03. Recognised best practice
- 04. Levels of understanding, compliance and attitude**
- 05. Implications for embedding the revised governance framework

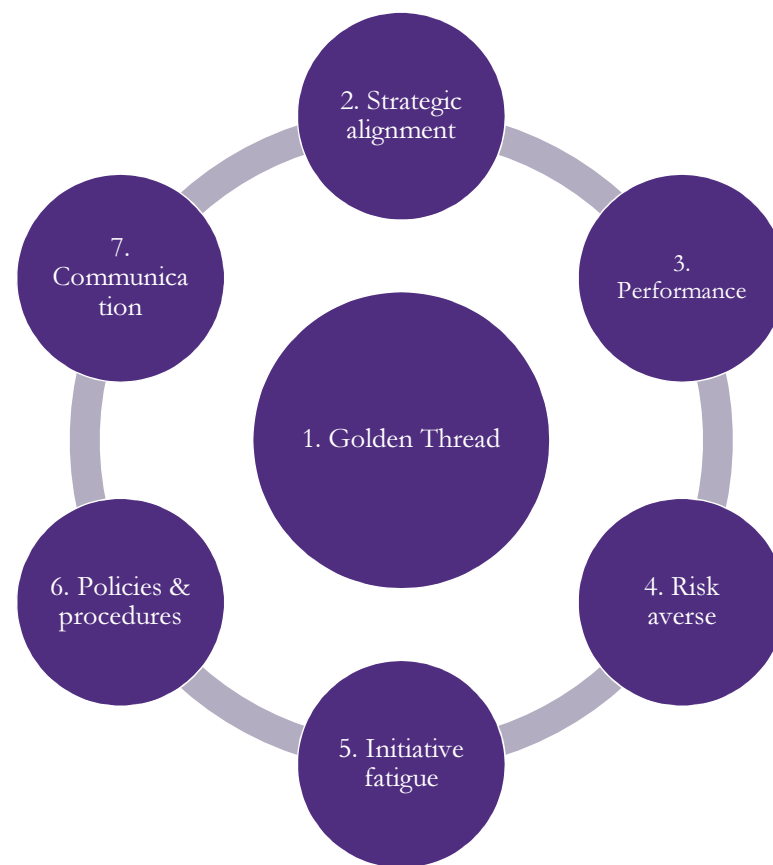
The following pages provide a commentary on the findings of our detailed interviews and workshops categorised into seven key themes impacting the Council's governance.

Levels of understanding, compliance and attitude

Brief

Assess the levels of understanding, compliance and attitude towards proper governance at the Council

- We have attended the Corporate Governance Forum meetings and assessed the levels of understanding, compliance and attitude towards proper governance at the Council through a series of interviews and workshops. We have interviewed 28 people including 8 elected members and held five workshops engaging with 35 employees.
- The Council's internal auditors have recently undertaken a corporate governance review which included a questionnaire to gather opinions on governance in the Council. We have built upon the work carried out by Internal Audit by reviewing the responses with the Head of Internal Audit, and using them to inform our own interviews with staff.
- This has included a combination of one-to-one interviews with both employees and members, and group workshops with a variety of staff across a range of directorates and across a range of levels of seniority; both longer serving and those new to the Council.
- Our assessment of the levels of understanding, compliance and attitude towards proper governance at the Council are consistent with the findings of Internal Audit from its Corporate Governance Review.
- The key themes identified are shown herewith. Each theme is discussed in more detail on the following pages.
- In overview, the key themes identified are:



Levels of understanding, compliance and attitude (continued)

We would note that the following pages contain comments from members of staff with whom we have engaged at workshops, all of whom spoke passionately about the Council.

They are, therefore, the personal opinions of those we spoke to, who were encouraged to be forthright in their opinions. The selection of the attendees at our interviews and workshops was made giving due regard to achieving wide coverage across grades, directorates and length of service. Given this sampling approach, whilst we cannot confirm the comments are representative of all Council employees, they reflect the overall comments received during our interviews and workshops, and therefore are considered relevant and significant when identifying key themes.

Golden Thread

- The Golden Thread is shown centrally on the diagram on page 25 as providing the basis by which all other themes identified can be traced back to the core idea of having this shared sense of purpose throughout the organisation, to which its strategy should be aligned:
 - A Golden Thread goes hand in hand with an organisation which is strategically aligned.
 - Where the organisation is fully signed up to a set of principles, values and objectives, as articulated in the corporate, service, team and individual plans, initiative fatigue can be avoided. There will be less perceived migration from one initiative to another, as the wider context and strategic purpose of initiative are better communicated and outcomes shared by means of the Golden Thread.
 - A common purpose and set of objectives will help foster consistent performance management at all levels of the organisation, which in turn, will lead to engaged and satisfied staff who feel valued, as identified by the Chartered Institute of Personnel and Development (CIPD) research, which is discussed further below.
- The CIPD conducted research in 2010: 'Shared purpose: the golden thread?' which found that in addition to improving performance, there were significant indications that *"if employees know clearly what their organisation's purpose is then they are more likely to be engaged and satisfied"*.
- Furthermore, the CIPD concluded that a lack of understanding around purpose *"can lead to demotivation and emotional detachment, which in turn leads to a disengaged and dissatisfied workforce."*
- There were mixed views on whether the Golden Thread exists within Walsall, which largely depended on which directorate the interviewee or attendee was from, but most of those we interviewed who mentioned it were commenting on its absence.
- That the comments were so mixed, indicates that if there is a Golden Thread it is not established with enough clarity or relevance to be understood by and visible to all.
- Some people commented that they would like to see not only the service plans being formally reintroduced, but also the Golden Thread being obvious from the Corporate Plan, through to the service plans, team plans (where applicable) and ultimately into individual's objectives, as not everyone was clear how they 'fit in' with the bigger picture.
- One person encapsulated this commented: *"It should be made clearer what your responsibilities are and how you fit into the whole of Walsall Council as I don't think that's clear any more. It is to people who bother to find out for themselves but not by design. We need to be reminded occasionally just exactly what we're here to do."*
- Where service plans are being introduced, they are seen as a useful tool. If they are used appropriately and translate the corporate plan into local team objectives, it is then possible to identify objectives for individuals, against which they are monitored, which will allow them to see directly how they are contributing to the success of the Council in delivering its vision.

Strategic Alignment

- If the Council is to be clear about its purpose, such that Principle 1 (see page 17) is adhered to, it must ensure that it knows what its purpose is, that it is articulated, and lastly, but importantly, shared throughout the organisation, to an extent that there is complete 'buy-in' at all levels. If there is no common goal or shared purpose there is a risk that the Council will not achieve its aims.
- Some people commented that there was a lack of clarity over the Council's longer term direction, which was largely thought to be as a result of having a series of one-year budgets in place for the past few years, rather than a preferred four-year manual strategy which allows for greater planning in allocating resources and delivery of services. However, we would note that the Council has in place medium term financial statements and, therefore, this may be a question of perception and need for clearer communication.
- It raised questions amongst attendees as to whether the Council knows what sort of organisation it wants to be.
- The corresponding impact of this is that the potential exists for the Council's long term vision to be hindered, and which can make working across directorates difficult. Indeed the new joiners in our workshops commented that departments appear to work in silos more than was the case at their previous authorities.
- One example given was that the Health and Wellbeing Board has differently worded priorities to the Children and Young People's Board. While essentially they are both focussing on some common areas, interviewees felt that it would make more sense for them to be aligned, as currently it can mean that the focus of doing work to meet one set of priorities can be different to the focus needed to meet another set.
- The level of interaction between the directorates was reported as being haphazard and ad-hoc when actually there is much learning and good practice that could be shared.
- Even where service plans are produced, the perception is that they are produced in isolation from other services as there is no overarching directorate plan to pull them all together.
- It was pleasing to note that through attendance at these workshops staff noted creative ideas being generated through greater awareness and discussion between themselves of programmes taking place in other directorates that would link with their own work.
- On the whole, the relationship between the councillors and officers was thought to be good, which demonstrates that the Council appears to be meeting its second core Principle of elected members and officers working together.

Performance Management

- Through Principles 3 and 5 of the Code of Governance, the Council is seeking to promote the values for Walsall Council and demonstrate the values of good governance through upholding high standards of conduct and behaviour, as well as developing the capacity and capability of elected members and officers to be effective.
- This includes a specific action to 'ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.' (see page 21)
- However, the application and use of performance management is mixed at both individual and corporate levels and diverse messages are being received as to whether appraisals are required. One person commented: *"Is there a corporate commitment to appraisals or not?"*
- One comment provided was that there is a *"standard approach [to performance management], which is flexibly applied"*. This was indeed found to be the case, as there were inconsistencies both between and within departments, with regard to whether performance management was effective or not.
- In some cases there was a belief that people simply weren't performance managed. *"It takes too much time and too much aggravation to undertake. Therefore poor performers just tend to get moved round from post to post, continually underperforming."* One responder noted that they had not had an appraisal in the last five years, and when asked if they would find it useful, were cynical, as the suspicion was that nothing would happen at the end of it: *"there is no reward for doing a good job"*.
- While it was acknowledged that when used properly the current process can be useful, it was noted by some that Employee Performance Assessments (EPAs) were simply treated as a process that needed to happen.
- It was noted that the current process is task-focussed and, as some roles are cyclical, especially in the support services, the targets *"don't really change"* and rendered the review less useful.
- One way to become more culturally and behaviourally focussed is to consider a balanced scorecard approach. This would not only consider what an individual has done but how they have gone about, ie have they demonstrated the Council's values. See further comments in Section 5.
- For the Council to be able to demonstrate compliance with its Core Principal 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles, the Code notes that it will ensure that effective mechanisms exist to monitor service delivery.
- The perception is that the appetite for monitoring corporate performance has also reduced significantly in recent years. The Council has *"blown hot and cold"* with respect to corporate performance management. The consensus was that people were far more aware when the Council was in special measures, but when they were lifted, so too was the appetite for performance management activity.
- While for the most part, people were not keen to return to such stringent monitoring as when under special measures, there was a recognition that the Council has now *"swung too far the other way"*.

Risk Averse

- Principle 4 of the Council's Code of Governance is to take informed and transparent decisions which are subject to effective scrutiny and managing risk.
- What this means is that Walsall Council's decisions will be taken on the basis of being appropriate and proportional, that further its purpose and strategic direction, and that will be robust in the medium and longer terms.
- Comments given were that it is not clear that the Council knows what it wants to be, in respect of its risk appetite. This was also reflected in comments made in respect of earlier themes, eg lack of clarity on vision.
- The savings targets are so significant that there is a perception that they conflict with the Council's priorities, on the assumption that it can't achieve both.
- However, some positives were reported, in that the financial constraints have encouraged staff to think more creatively. One commented: *"We are not trying to do everything for our customers because we can't so we have become more customer-focussed; talking to people and finding out what's important to them."*
- Other attendees reported that people do have ideas but find it difficult to get acceptance to go ahead, or resources to help deliver. The ideas then get abandoned and people resort to previous methods, while at the same time acknowledging that previous methods aren't necessarily appropriate when such large savings need to be found, and therefore new ways of working need to be identified.
- Some people commented that innovation is stifled because the Council has been *"stung too many times in the past so now we have to do things strictly by the book"* leaving no room for innovation.
- Governance should not be restrictive, but a framework by which the business is managed. In its Code of Governance, the Council refers to governance as being *"beyond the systems and processes we have in place to include our culture and our values; it is at the heart of how we manage our business and through which we account to, engagement with and where appropriate lead our communities."*
- It is therefore a fundamental framework by which the Council conducts its business, which ensures ethical and legal standards are adhered to, and that public money is appropriately safeguarded and applied.
- There were some people that saw some aspects of governance as restrictive, and when asked for examples, did provide some (see section on Help or Hindrance?). However, the greatest restriction to innovation was reported to be the difficulty of obtaining acceptance to try something different, as opposed to the governance being so prescriptive that creativity is stymied.

Initiative fatigue

- 'In Search of Excellence', 'LEAN', 'Vanguard', 'Working Smarter' and 'Shaping the Future' were cited as recent examples of initiatives. That these have occurred in relatively quick succession over recent years raised questions amongst interviewees over what impact each has had, as there has been no perceived transparency of outcomes.
- The perception is that lots of time is spent on initiatives, which the Council then doesn't follow through on, as there is insufficient feedback and the Council migrates from one to another.
- Many people we spoke to did not fully understand what Working Smarter or Shaping the Future was, but there were also some positive comments in that Shaping the Future was seen to be far more engaging than previous initiatives.
- There were concerns mentioned, however, in relation to Shaping the Future, that there were independent or "*non-experts*" looking at each area, and there was a concern that recommendations were being made from a position of misunderstanding. This also led to concerns that decisions were being made in one directorate, without considering the impact that they may have on other directorates.
- Strategic alignment and communication therefore play a key part. There are a number of facets of communication within the Council that people feel are working well, for instance the existence of the Core Brief, but our interviewees also felt overwhelmed by the volume of information provided.

Communication

- Mixed experiences were reported of whether the Core Brief is cascaded via team meetings. New joiners, particularly felt that they were aware of key issues arising from review of the Core Brief and weekly bulletins but they felt less informed of the Council-wide issues of relevance to their department from team meetings.
- The cascade of information is not happening effectively: there are Weekly Briefs, Core Briefs, and for the relevant staff, Manager Briefs. This equates to a large amount of information, but not all of it is useful, and some key messages can therefore get lost. Some elements of the Weekly Brief aren't updated from one week to the next, which can impede people's willingness to ensure they read it week in, week out.
- Additionally it was reported that there is reliance on email communication, and that more face to face interaction would be welcome, as there is a perceived lack of visibility of the senior management team.
- The intranet was also cited as a source of information but many people commented that the search facility is poor and the information therein is not always up to date, with a specific example given of HR policies and forms.
- Some comments were made that communication within teams would be assisted if staff were allowed to 'own' the space in the Civic Centre, and display notices, such as team objectives, progress against these and key messages.

Policies and Procedures

- People are aware of what good governance is and that there are policies and procedures to help this in this regard. People commented that good governance is being "*open*", "*honest*", "*lawful*" and having "*structures*", "*protocols*" and "*procedures*", which is consistent with the themes within the Code of Governance.
- The majority of people recognised that policies and procedures are important guidance and can help ensure things are done correctly and safely. However some people noted that some policies can be obstructive as they are time consuming and can hinder innovation. Examples were asked for and are shown on page 33.
- People were comfortable with the channels open to them through which they could report anything they had identified that gave them cause for concern.
- Training requirements can be identified through appraisal and on-the-job processes but the training budget is under pressure, so the training is not always available.
- Training for councillors was often difficult due to time constraints and inability to attend, but training was recognised as being fundamental to being able to fulfil this key role.
- Some staff reported having a corporate induction but nothing more local, ie team based. Others had a local induction but nothing at a corporate level. Furthermore it was noted that there was little or nothing in the way of refreshers of corporate training for staff. There is potential scope for this to be addressed through a regular computer based training and automated knowledge share and testing. For example, on an annual basis, Grant Thornton requires all of its staff to confirm that they have read and understood a number of the firm's core policies, such as the Code of Governance, which prompts staff to ensure they read the latest versions and be familiar with its content. This is then reinforced with regular online training and testing throughout the year.
- This would assist in address the comments raised about the lack of corporate refresher training, without needing to take people away from their work for training.
- This would also assist in the Council complying with its third Core Principle: promoting values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Where people had attended the Welcome to Walsall induction, they had found it useful with one describing it as the "*best induction ever had*".

Governance – help or hindrance?

Brief

This question was raised during a meeting of the Group. Further workshops were held in order to expand further our findings across wider groups and also to identify examples of governance as a help or hindrance. The following were examples of where governance arrangements were viewed as either hindering or helping:

Help

- Induction processes – good but more requested, specifically for staff moving into new manager role.
- Budgetary constraints – front line staff given some freedom to think creatively to manage outcomes with reduced budgets. But, some felt they were not supported in this and/or ideas not encouraged (see also comment under Hindrance).
- There are examples within the Council, e.g. Children's Services, where service plans have been reintroduced, largely as a result of needing to address actions in the Improvement Plan. Feedback given from relevant staff, has been that this has been beneficial in allowing the Directorate to pull together to work towards common goals.

Hindrance

- Officers felt that they would like enabling policies and procedures, not restrictive ones, e.g. *"how do we enable micro-entrepreneurs to compete for contracts and encourage local business, when tendering processes are so onerous?"*
- The procurement process was seen as too rigid: there is no flexibility to use suppliers that might help achieve cost savings and/or provide supplies/services more promptly.
- Paperwork for recruitment and redeployment was considered to be lengthy and involve duplication. Could the paperwork be simplified?
- The Council was considered to be too risk averse: frontline staff have ideas to contribute to cost savings and change in delivery models but do not feel supported, either due to risk averse nature or by not being fully engaged in the budgetary process.

Section 5 Implications for embedding the revised governance framework

- 01. Executive summary
- 02. Outcomes of the Corporate Governance Forum
- 03. Recognised best practice
- 04. Levels of understanding, compliance and attitude
- 05. Implications for embedding the revised governance framework

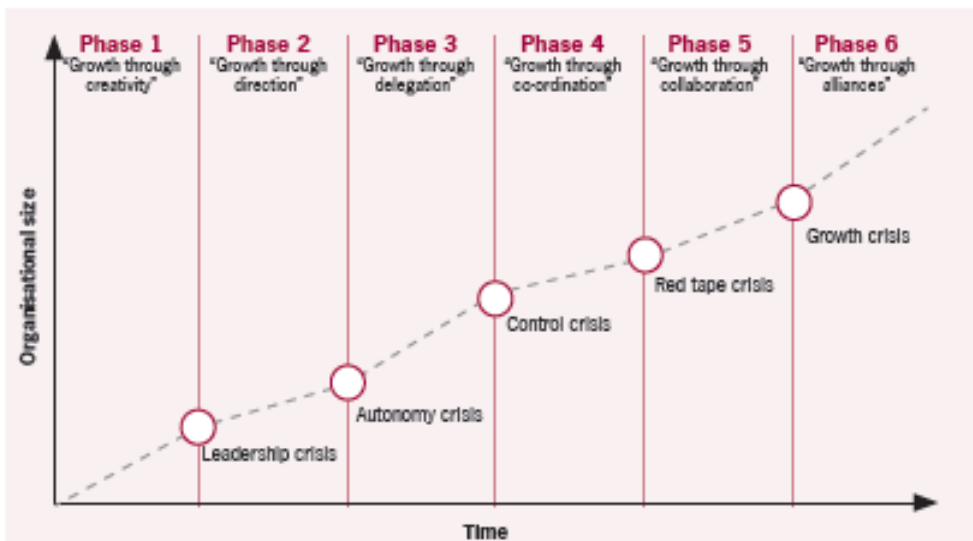
The following pages provide a commentary on the implications for embedding the revised governance framework, communication of plans and the on-going adequacy of the Council's planning, monitoring and review arrangements.

Implications for embedding the revised governance framework

Brief

Comment on implications for embedding (revised) governance framework, communication of plans and the on-going adequacy of the Council's planning, monitoring and review arrangements.

The Greiner Growth Model is a way of thinking about the phases that an organisation goes through as it grows and in the face of major organisational change.



Source: www.mindtools.com

The model demonstrates the level of control and monitoring that needs to be in place at each stage, in order to progress on to the next stage of organisational maturity.

Whilst the model focuses on growth, in our view this model is equally valid for organisations in stages of change, particularly where they are seeking to delegate more functions and decisions when this happens, senior managers find it hard to 'let go' and middle managers struggle with their new roles as leaders. The solution in moving from this phase to the next lies in having a sophisticated 'Head Office' function, which encourages and ensures that the separate parts of the organisation work together.

The next phase develops with previously isolated business service units now working together. Over time, however, work becomes submerged under increasing amounts of bureaucracy, which may have the effect of hindering further growth. This 'red tape crisis' referred to in the chart is arguably the situation the Council is currently seeking to address, as the solution according to Greiner is to introduce a new culture. What the model shows however, is that this cannot be achieved without first ensuring formal controls are in place to steer an organisation through phases 2 to 4.

Implications for embedding the revised governance framework

Our Local Government Governance Review 2014 (available online – see below) draws on a review of the 2012/13 annual governance statements and explanatory forewords at various Local Authorities and focuses on two particular aspects of governance, which are not dissimilar to the messages of the Greiner model:

- risk leadership: the importance of setting a tone from the top which encourages innovation as well as managing potential pitfalls
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements

The review also identified governance issues in relation to Alternative Delivery Models (ADM) and the need to implement robust and proportionate governance arrangements for new service delivery models; retaining accountability but without stifling innovation. This finding, whilst relevant for Walsall Council in its ADM arrangement, also strikes a chord with comments from our workshops in relation to a risk averse nature.

[The review is available online:](http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/)

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>

On the following pages we set out some of the implications for the Council's governance framework and make some suggestions for the Governance Forum's consideration on how to take forward the findings of this review and embed revised governance arrangements reflecting this review.

The implications are set out around the seven key themes identified.

Whilst the detailed actions that the Council is undertaking in the area are being developed by its Governance Forum, we have set out within the Action Plan at Appendix B a number of high level recommendations that the Council should ensure are addressed by its detailed response. and the Audit Committee can use to gain assurance that the overall response to this report is appropriate.

Implications for embedding the revised governance framework (continued)

Golden Thread & Strategic Alignment

- The Golden Thread plays a key and central role in the establishing of good governance arrangements and goes hand in hand with strategic alignment, and hence are considered together here.
- The review identified the need for common purpose and setting of objectives, which permeate through the Council. There were mixed views on whether the Golden Thread exists, which of itself identifies that the Councils core objectives and how these are to be achieved is not readily apparent.
- The Council should reflect on how it sets out its key objectives and implements this through the organisation via the use of Corporate Plans, Service Plans, through to team plans (where applicable) and individual objectives. At present there does not appear to be consistent applications of such a Golden Thread.
- If the Council is to achieve its aims these plans must also be strategically aligned across directorates and across grades to foster common goal and purpose. The process of setting out the Golden Thread should be used to ensure alignment of objectives across departments.
- Consideration should be given to how the budgetary process may be amended to obtain greater 'buy-in' from across departments and generate greater alignment on outcomes key to the Council. An example of how this was harnessed in the context of engendering a 'no blame' culture is Sheffield City Council, which also has implications for the theme of Risk Averse (see overleaf).
- These plans and key measurements should be regularly communicated to provide clarity of progress against these plans to aid reinforcement of these key objectives. See further implications under Communications.

Implications for embedding the revised governance framework (continued)

Golden Thread & Strategic Alignment

Example: Sheffield City Council – benefits of a ‘no blame’ culture

Background

Sheffield introduced outcome-based financial planning when developing its 2013/14 budgets. The council is now using a robust and transparent lessons learned process when reviewing the first year of outcome-based financial planning, to ensure this new approach becomes fully embedded across the organisation. This supports a ‘no blame’ culture at the council as well as its approach to managing risks and opportunities.

This also supported the new strategic outcome plan for the city, which has a 12-year horizon (2013 to 2025).

The plan:

- sets the strategic direction for delivering the outcomes over this period
- provides the framework for decisions about where to allocate resources
- defines the performance measures to help track progress towards delivery.

The model

The business model for delivery against the strategic outcome plan is built around:

- outcome-led investment, to achieve the outcomes for the city and to make a difference to Sheffield and its people
- outcome-led commissioning of projects that will contribute directly to achieving a step change to the outcomes for local people and businesses.

The benefit

This approach has improved long-term decision making, including more effective management of strategic risks, prioritised the use of resources, and identified where new sources of funding or income need to be pursued. The focus on outcomes has encouraged innovation, in an environment which is open to learning lessons rather than avoiding risks (an area also identified as a key theme at Walsall Council).

Implications for embedding the revised governance framework (continued)

Performance Management

- The Council has 'blown hot and cold' in relation to corporate performance management and there was greater clarity when the Council was historically under special measures and less appetite for performance management in recent years.
- At the individual level, there is inconsistent application of appraisals and meeting training needs, and appraisals are seen as being task focussed.
- Based on these and the other findings it would seem to us that the Council should consider implementation of suitable performance management tools at both the corporate and individual levels.
- People were not keen on a return to a stringent monitoring regime or focus overly on tasks but recognised the process had swung too far the other way. The review mechanism at the individual level, therefore, needs to reflect the flexibility to allow departments to tailor the reviews to meet service and team plans and circumstances prevalent in each department.
- Appraisals are viewed as task focussed rather than behavioural or developmental and are not structured to encapsulate the overall strategy and vision of the Council. The Council should therefore consider a review of the current appraisal process in place.
- One performance management tool which seeks to align an organisation's key objectives and performance of its staff is a Balanced Scorecard approach (BSC). The attraction of a BSC approach is that it brings together the key strategy and objectives at a corporate level and seeks to translate these into performance measurement, at an individual level, in a consistent manner. Brief details are set out overleaf.

Implications for embedding the revised governance framework (continued)

Performance Management

- In overview the Balanced Scorecard (BSC) is described as a management system (not only a measurement system) that enables an organisation to clarify their vision and strategy and translate those into action." (<http://balancedscorecard.org/>). The BSC can be summarised as follows:



- The vision and strategy is articulated in terms of key elements relevant to the organisation and distilled in to key measures cascaded down the organisation.
- By way of example, Grant Thornton applies a BSC approach to focus our strategy and development. It manifests in individual's performance measurement using 4 key elements: Clients, Markets, Operations and People. The overall Grant Thornton strategy is articulated around each of these four elements and cascaded down to individual's objectives. The objectives being a mix of measureable task focussed goals and behavioural attributes. The individuals SMART objectives would be articulated in only some 4-6 attributes emphasising focus on the overall Grant Thornton strategy. The overriding feature being simply messages of vision translated into action and repeatedly reinforced through communications.
- The Council should consider implementing a strategic management system such as BSC or similar bringing together the strategic objectives and aligning organisation to meet these in key areas.

Implications for embedding the revised governance framework (continued)

Risk Averse and Initiative Fatigue

- The review identified that there were mixed messages about what sort of organisation the Council wished to be in respect of risk appetite.
- Given the budgetary constraints from a positive perspective people were applying a creative attitude to generating savings and being more 'customer focussed', but did not feel supported. Some commented this may be a function of being "*stung too many times in the past*". The Council should consider how it can foster a greater level of creative ideas and harness these to generate saving and achieve key objectives. It would appear to us that front line staff have ideas to contribute to a more effective Council but feel frustrated in progressing ideas.
- Our latest Governance Review identified an example in Surry County Council which highlights how they have approach this issue:

Surrey County Council is working to strengthen its ability to innovate, by establishing a strategic innovation framework. This includes the following elements:

- Leadership: creating a 'One Team' approach, with strategic directors having cross-council roles on specific areas such as commissioning and partnerships
- Culture: embedding the council's values (listen, responsibility, trust, respect)
- Skills and tools: launching programmes to build understanding of roles and impact of actions between officers and members; dedicated IT resources
- Catalysts to accelerate progress: setting up innovation hubs (small support units with flexible resources) and the 'Shift Surrey' website
- Peer challenge of innovation projects

The framework aims to mitigate the risks posed by the financial challenges Surrey County Council faces, while ensuring services are sustained and improved.

- Staff also mentioned initiative fatigue in that there appeared to be a migration from one initiative to another without feedback on the outcomes. The perception was that a lot of time is spent on initiatives across the Council. These perceptions may in part be a reflection of the lack of communication of outcomes and hence the Council should consider this further (see also implications under Communications). Further, this may also reflect the lack of alignment with key strategy and objectives, or more likely, in our view, the communication of key initiatives in the context of the overall strategy. The Council should therefore reflect this and consider this as part of the Golden Thread and Communications implications.

Implications for embedding the revised governance framework (continued)

Communication

- A recurring theme identified across issues during both interviews and workshops was communication.
- Cascading of information is not happening effectively, with some suggesting an overload of information ranging from Core Briefs, Weekly Briefs and Team/Manager Briefs.
- Simplification of these communications should be considered and re-focussing on what the key messages are and how they are conveyed. By way of example, in our own experience, we have quarterly updates from the Managing Partner and members of the leadership team and staff across the firm together conveying key messages around the four elements of our Balanced Scorecard (Clients, Markets, Operations and People). These are focussed on updating staff on where the firm is against the key strategic objectives. These are supplemented by each department in respect of their own service plans and objectives.
- The intranet, whilst identified as a source of useful information was cited as not being user friendly and/or out of dates in terms of information provided. Consideration should be given to reviewing the intranet and how this might be improved to make dissemination of information more user friendly and kept updated.
- Some teams based on Civic Centre commented that the lack of ability to 'own' space impeded sharing of information such as team objectives, progress and key messages. Consideration should be given to how this might be addressed, particularly where teams are located in regular or fixed locations.
- One of the Corporate Governance Group's objectives is to look specifically at the 'Hearts and Minds' communication and as such this is an area under review. Based on our review, the Governance Group may wish to consider communication in terms of the following framework:

Focus on key messages

- Communication to be simplified, concise and clear to improve understanding
- Where decisions have gone a particular way, staff would like to be told the reasons, which would facilitate greater understanding

Consistent

- Consistency required to address the issue noted by some of the different directorates being given different advice, e.g. use of online shopping websites for procurement

Face-to-face

- To address the issue noted by some not seeing enough of the senior management team
- Allows for Q&A

Implications for embedding the revised governance framework (continued)

Policies and Procedures

- There was good awareness amongst staff and members of what good governance is and that policies and procedures were in place to assist in this regards.
- However, examples were cited where the policies and procedures appear to be impeding activities such as for example, the one-size fits all procurement process and the paperwork required in relation to recruitment and deployment.
- The policies and procedures in place need to be proportionate and enabling rather than hindering effective operations. As such, it would seem that there are examples of policies and procedures that can be improved.
- Interestingly, this issue might also be viewed in light of the risk averse nature of the Council and encouraging innovation (see above). As part of a strategic review and aligning processes, the Council may wish to consider which policies and procedures might be amended to better assist meeting objectives without compromising on good governance.
- As part of the policies and procedures staff (and members) mentioned initial inductions and on-going training needs. Whilst new employees were complimentary of initial inductions ('Welcome to Walsall') there appears to be a need to review on-going training and compliance with key policies and procedures. Regular confirmation of staff's understanding of key policies (such as the Code of Governance) would also assist in good governance by reinforcing its importance. This should be considered as part of the performance management framework.

Appendices

A. Core Principles

B. Action Plan

A. Core Principles

The Council's refreshed Code of Governance identifies fundamental principles which underpin corporate governance:



A. Core Principles

Beneath these overarching keystones, the Council has identified six key principles of good governance, which it will follow. We recommended that the Council include contextual narrative under each of these six principles so that the reader could more clearly identify what each principle means to them and how it will affect the operations of the Council. The Code of Governance now includes the following narrative under each of the principles:



Focusing on the purpose of Walsall Council and on outcomes for the community, and creating and implementing a vision for the local area.

What this means is that Walsall Council will be clear about our purpose, be clear about our intended outcomes for our citizens our service users, and we will operate in an effective, efficient, economic and ethical manner. We will communicate this both within our organisation and to external stakeholders.

Elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

What this means is that Walsall Council will be clear that the full council has the overall responsibility for directing and controlling our organisation.

Promoting Values for Walsall Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

What this means is that Walsall Council believes good governance goes beyond mere compliance to a set of rules and requirements. It flows from the ethos of good governance which demands the development of shared values that are the basis by which the organisation, from the governing body to all members of staff, behaves.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

What this means is that Walsall Council's decisions will be taken on the basis of being appropriate and proportional, that further our purpose and strategic direction, and that will be robust in the medium and longer terms. Members will be well informed, and supported by appropriate systems to ensure that their decisions are implemented, and that resources are used in a legal and efficient way. We will have an effective risk management system which identifies and assess risk, decides on appropriate responses and then monitors and reports on the effectiveness of those responses.

Developing the capacity and capability of Elected Members and Officers to be effective.

What this means is that Walsall Council will ensure that the governing body has the right skills to direct and control the organisation. We will draw upon the largest pool of potential members who have the necessary breadth of skills and experience, taken from all social, economic, ethnic, age, gender, and other groups. We will provide an effective training and development programme for members, including induction for new members.

Engaging with local people and other stakeholders to ensure robust public accountability.

What this means is that Walsall Council will hold itself accountable to its local area, and will give clear leadership in building sustainable communities. It will account to its communities for the decisions that it takes being clear as to the rationale behind those decisions. The council will publish its financial statements and produce an annual report and corporate plan.



Appendices

A. Core Principles

B. Action Plan

B. Action Plan

Rec number	Issue	Management response	Responsibility for action	Implementation date
R1	Golden Thread More clearly communicate to its workforce how its strategic priorities link with its governance framework.	Agreed that the Council's Corporate Plan for 2015-19 should be the primary vehicle for straightforward communication of purpose, vision, values and priorities.	Head of Programme Delivery (Carol Williams)	February 2015
R2	Put in place an identifiable hierarchy of planning, to cascade priorities from the corporate planning process through to service, team and individual plans.	Agreed that there needs to be systematic application of the Walsall Change Approach through the Shaping the Future Programme Board in order to ensure joined up delivery of plans.	Head of Programme Delivery (Carol Williams)	February 2015
R3	Strategic alignment Engage more effectively with its workforce to clarify the nature and style of the organisation and what this means for individuals.	<p>Agreed that the Council's Corporate Plan for 2015-19 should be the primary vehicle for straightforward communication of purpose, vision, values and priorities.</p> <p>It is intended to use the organisational diagnostic provided through the Beech Centre for People, Performance and Organisational Development to assist the Corporate Management Team in setting out some clear expectations on managers and staff and enabling everyone to understand how their work contributes to the whole.</p>	<p>Head of Programme Delivery (Carol Williams)</p> <p>Head of Human Resources (Steve McGowan)</p>	<p>February 2015</p> <p>March 2015</p>

B. Action Plan

Rec number	Issue	Management response	Responsibility for action	Implementation date
R3 (cont)	Strategic alignment Engage more effectively with its workforce to clarify the nature and style of the organisation and what this means for individuals.	Review the existing Management Competency framework and decide what is needed to be fit for purpose for our organisation for the future.	Head of Human Resources (Steve McGowan)	March 2015
R4	Performance management Establish more formal and consistent performance arrangements for teams and individuals based on 'SMART' performance targets.	Agreed that a refreshed corporate approach to performance appraisals is required, along with a review of how we communicate and measure the behaviour that we expect from our managers and staff.	Head of Human Resources (Steve McGowan)	March 2015
R5	Clarify the corporate approach to individual performance appraisals and implement the required approach on a more consistent basis, with a greater focus on behaviour rather than task.			
R6	Risk adverse More clearly define its risk appetite to agree an appropriate balance between risk, performance and innovation, which is then communicated more effectively to the workforce.	<p>It is intended to use the organisational diagnostic provided through the Beech Centre for People, Performance and Organisational Development to assist the Corporate Management Team in setting out some clear expectations on managers and staff and enabling everyone to understand how their work contributes to the whole.</p> <p>Agreed that the next review of the strategic risk register should include the production, agreement and dissemination of a statement from the Corporate Management Team about the organisational approach to risk management, including encouraging and fostering innovation and creativity.</p>	<p>Head of Human Resources (Steve McGowan)</p> <p>Head of Finance (Vicky Buckley)</p>	<p>March 2015</p> <p>January 2015</p>

B. Action Plan

Rec number	Issue	Management response	Responsibility for action	Implementation date
R7	Initiative fatigue Manage closely the range of performance and governance initiatives it embarks upon and reduce the number of new initiatives in the short term.	Agreed that there should be corporate governance arrangements through which all significant new change initiatives are agreed, in line with the Walsall Change Approach.	Head of Programme Delivery (Carol Williams)	March 2015
R8	Communication Improve its mechanisms for communicating its corporate messages to delivery teams and ensure that the resulting house-style is applied consistently.	Agreed that there should be a review of the key internal communications vehicles with the intention of rationalising and re-energising them.	Head of Programme Delivery (Carol Williams)	March 2015
R9	Seek ways of improving the visibility of its senior management team members to all grades of staff.	It is intended that when the statement of expectations arising from the organisational diagnostic has been agreed, each director will play a personal role in going around the organisation and communicating it.	All Executive Directors (Rory Borealis; David Haley; Jamie Morris; Keith Skerman; and Simon Neilson)	April 2015
R10	Engage with staff representatives over their 'owning the space' more effectively of the Civic Centre.	It is intended to carry out a face to face survey of staff off the back of a Core Brief to ask staff for their ideas about what needs to change.	Head of Regeneration Development & Delivery (Simon Tranter)	January 2015

B. Action Plan

Rec number	Issue	Management response	Responsibility for action	Implementation date
R11	Policies and procedures Consider more effective update and refresher training on policies and procedures for existing staff.	It is intended to review the list of policies and procedures which all staff need to be aware of and review the publication of these on the Council's intranet.	Head of Legal & Democratic Services (Tony Cox)	March 2015
R12	Reconsider the adequacy of the training budget to support better understanding of policies and procedures.	It is intended that the Corporate Management Team will review this list and identify any key gaps where it is considered that further work might be needed to embed understanding and implementation (which may or may not include further training).	Head of Legal & Democratic Services (Tony Cox) Head of Human Resources (Steve McGowan)	April 2015



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