

Draft Annual Governance Statement (2016/17)

This section gives the results of our yearly assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have by law.

Responsibility

We are responsible for making sure that we:

- carry out our business in line with the law and proper standards;
- protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of **economy, efficiency and effectiveness**. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. For a local authority in England this requires the statement to be in accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA Code of Practice on Local Authority Accounting for 2016/2017. In preparing and publishing this Statement, we therefore meet these statutory requirements. Somerset County Council has an agreed local code of corporate governance. (A copy of these documents can be obtained from Martin Gerrish, Strategic Manager – Finance Policy and Place at mgerrish@somerset.gov.uk).

Defining governance and the local governance framework

The Framework defines governance as follows:-

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

“To achieve good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.”

“Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”.

The governance framework as operated locally at Somerset County Council comprises:-

- i) **systems** (such as SAP, our financial system, and JCAD, our risk management system);
- ii) **policies** (such as the Constitution, Standing Orders and Scheme of Delegation, HR policies); and
- iii) **culture and values** (such as the 4C's, good communications, codes of conduct and the Standards Committee)

These allow by which the authority is directed and controlled and through which it accounts to, engages with and leads the community. It enables the authority to set its strategic objectives, monitor their achievement and consider whether they have led to the delivery of appropriate, cost-effective services. There is also regular review by internal and external audit, and by various inspections. At an officer level, the Governance Board has the responsibility for monitoring compliance and for continually improving governance arrangements. The Governance Board is chaired by the Director of Finance and Performance, comprises a number of the Senior Leadership Team and professional leads such as legal, audit, risk and the Monitoring Officer.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Somerset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. It ensures they are managed efficiently, effectively and economically.

The review of internal controls provides assurance that the Statement of Accounts gives a true and fair view of the authority's financial position at the reporting date and its financial performance during the year.

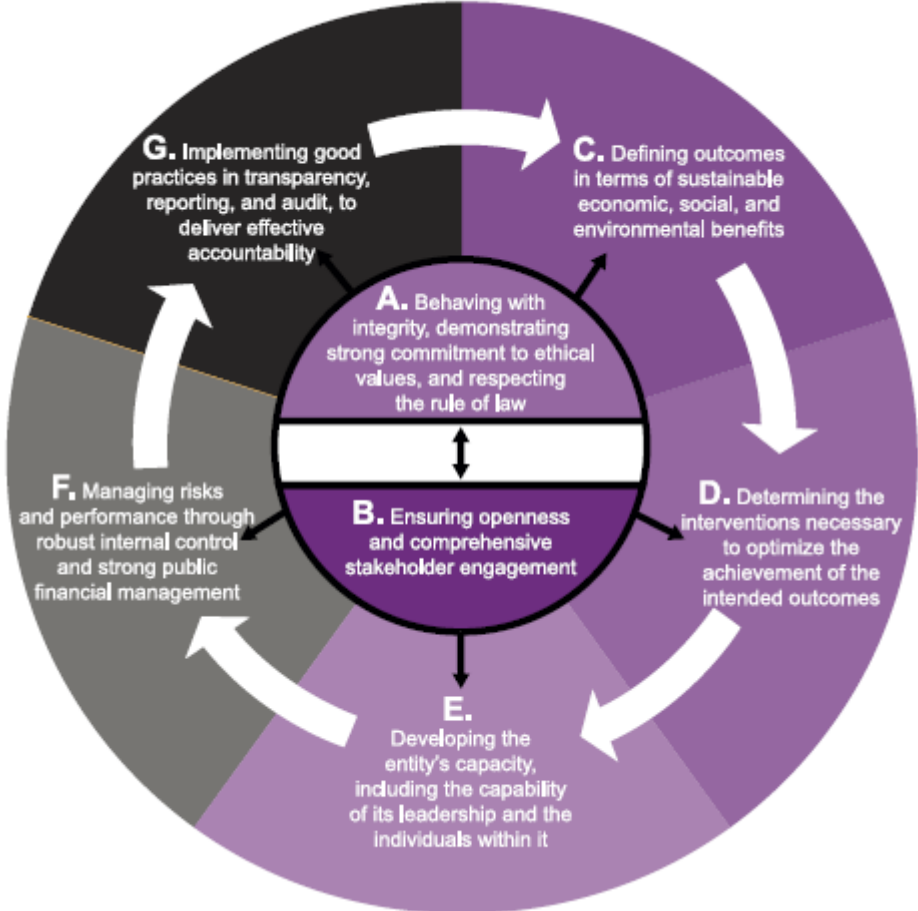
The governance framework has been in place at Somerset County Council for the whole of the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts. The County Council continually seeks to improve its governance arrangements, and evidence of continued "best practice" is found within the governance reviews referred to below.

Review of our governance framework

Delivering Good Governance in Local Government: Framework (2016) is an update to the 2007 publication, and 2016/2017 is the first financial year for which this framework applies. Whilst there is some clear correlation with the principles set out, it has required the Governance Board to carry out a full review based on the 7 new principles and numerous sub-principles and actions, and to consider the level of Somerset County Council's compliance for each. The Framework offers examples of evidence that could be used in demonstrating compliance.

There is a substantial amount of documentation and links which underpin this review and the information contained within this statement, which can be obtained from Martin Gerrish, Strategic Manager – Finance Policy and Place at mgerrish@somerset.gov.uk.

The principles within the new Framework are set out schematically below:-



A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with integrity

Somerset County Council has both a Members Code of Conduct and an Officers Standards of Conduct, which the respective individuals are required to adhere to. There is an intention to strengthen this by developing an Officers’ Code of Conduct for future inclusion in the Constitution.

All members of the County Council are obliged to sign an “acceptance of office” template, and post-election have a full induction and training programme, including the Members Code of Conduct. This will again come to the fore as elections are held in May 2017 for the next quadrennium. The County Council also runs a “buddy” system, whereby each new member is allocated a senior officer as a point of contact for any questions or concerns that they might have, such arrangements lasting until the member is established.

Officers sign contracts of employment, and are required to complete a probationary period of employment as standard. There are a multitude of ways in which the organisation communicates its expectations with its staff. The 4 C’s (Care and Respect, Customer focus, Collaboration and Can Do) describe our values, which all employees are expected to work to, and we have built expected behaviours and competencies on. They form part of every member of staff’s personal annual appraisal. We reinforce the importance of the

4C's through our Staff Awards, where staff are asked to nominate colleagues who have demonstrated these values in their work.

All relevant HR policies are in place, and made available from the intranet homepage. These include a formal disciplinary procedure; a Whistleblowing Policy; an Equalities Policy; a Data Protection Policy; anti-fraud, corruption, bribery and money laundering policies. We maintain a register of interests and a register of gifts and hospitality for both members and staff.

Core Brief and Members Core Brief are used to reach staff and members, and often include reminders and guidance about behaviour and conduct.

Demonstrating strong commitment to ethical values

SCC operates a Standards Committee for members, which reports regularly to the Council as the first main item of business because of the importance of standards of conduct. The Council has decided to retain a Standards Committee even though it is not a legal requirement. All formal meetings of the Council require declarations of interest from committee members as a standing item, and meetings are both minuted and recorded. There is also a member complaints policy. The Code of Conduct for Members and Co-opted Members set out in Part 2 of our Constitution makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

Respecting the rule of law

SCC's Constitution sets out our legal requirements around decision making and other constitutional arrangements, and there is significant guidance on the intranet to guide officers in ensuring that Decisions are taken by the appropriate committee, member or officer under the Scheme of Delegation. Key member roles and responsibilities are set out in the Constitution, and statutory officer posts (with appropriate Job Descriptions) are an integral part of the Council's structure.

The sign-off process for Decision reports require sign-off amongst others by County Solicitor, the Monitoring Officer, and Corporate Finance, and requires the author to set out (amongst other details) the legal implications of the proposed Decision.

An Equalities Impact Assessment must be completed for all decisions – unless the Equalities Manager has agreed otherwise. The Monitoring Officer will not sign-off reports unless the Equalities Impact Assessment has been completed and sent to Community Governance.

All contracts must be let in accordance with SCC's Contract Standing Orders, and with the guidance of specialist procurement officers in order to comply with the legal requirements such as the EU procurement regulations.

There are a number of protocols that we operate in order to create the conditions for statutory officers and members to fulfil their responsibilities, such as a Member / Officer Protocol, the Tell Local Councillor Protocol and a Protocol on Members' Access to Information and other Confidentiality Issues.

B. Ensuring openness and comprehensive stakeholder engagement

Openness

Our Constitution states that a key principle for decision-making in Somerset County Council is a presumption in favour of openness. It also details the Access to Information requirements in relation to agendas, meetings, report minutes, summary of outcomes and decision records. All Committee meetings are held in public session, with Public Question Time, unless there is an overriding need for confidentiality, which would be strictly in accordance with the appropriate regulations. The public are permitted to record our meetings, and we also keep an audio record of proceedings.

Our Key Decisions are all publically recorded, and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. We publish our Cabinet forward plan of business, again in accordance with Access to information requirements. We have a Community Governance Website that clearly directs officers and report writers to the detailed requirements to take decisions in accordance with the Constitution.

We automatically provide a substantial amount of information on our and our partners' websites. We comply with the transparency requirements, and go through the annual assurance process to confirm that this is the case. We publish our spend information as required to do so under the regulations. We have an intention to increase the amount of data provided.

We are very open with our communications and Press Releases. We have a corporate website that provides up to date information on Council services, structure and democratic process (includes an online Newsroom). We use Press Releases and digital communications channels used to highlight progress, key decisions and developments. Our Press releases are distributed to all Somerset media and posted on website Newsroom. They are also distributed to all members. We use social media channels used to share news, such as Corporate Facebook and Twitter accounts, along with campaign/service specific accounts.

We publish a Your Somerset newspaper delivered free to all homes in Somerset on a quarterly basis. This highlights key service changes and developments, success stories and shares information to help access services.

We continue to engage with our partners, stakeholders and staff through a variety of media. We continue to run the Listening, Learning Roadshows. This is a large scale public engagement initiative, with events across Somerset, engaging on budget and priorities and current key issues. It has now been running for 4 years and has spoken to approximately 19,500 residents. Reports with the findings of these exercises are shared with Cabinet/SLT and part of the consultation package considered in budget setting process. They are also published on SCC website. Staff receive a weekly Our Somerset and a monthly Core Brief.

Engaging comprehensively with institutional stakeholders

Somerset County Council has a strong record of consultation and engagement. We have a consultation website with suitable guidance and a dedicated consultation officer. In 2016/2017 we have contributed to 66 consultations and external surveys with around

7,000 individuals engaged. We have also assisted with three internal staff surveys to the entire workforce

Some of the key consultation and engagement work carried out over the last year includes:

- Review of discretionary fares on local bus services;
- School Admission Arrangements
- Dulverton School - Change of age range
- Dunster Pavement Consultation
- People aged 5-18 who have experienced sexual abuse trauma
- Parents Childcare Entitlement consultation

We have a Partnership Register that provides a list / record of all partnerships that SCC is involved in. Partnership Lifecycle Guidance is available and refreshed on an annual basis. The guidance highlights key points to consider at each stage of the partnership lifecycle and provides links to relevant internal and external guidance and best practice.

We have an increasing number of successful fora to engage with specific stakeholder groups.

We are leading a consortium of 20 local authorities and partner organisations to ask for more powers from Government. Devolution is important to the South West and Somerset will play a leading role. This will include working towards a Combined Authority in the most appropriate form with our partners.

The partnership working with our health partners is of increasing importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP), which is a 5 year forward view, and Somerset County Council has been fully engaged as a full partner in the STP development process. This is to participate in the design of health and care systems in Somerset to secure better health outcomes for the residents of Somerset, and to ensure better access to appropriate services. It is also to ensure the financial sustainability of health and care services in Somerset. Our Chief Executive is the Senior Responsible Officer for the STP. There is also a Health and Wellbeing Board with its own Constitution, a Somerset Prevention Charter and a tobacco control declaration. All of these have been developed with our health partners.

There is a quarterly Voluntary, Community and Social Enterprise (VCSE) Strategic Forum with senior staff from the County Council, District Councils, Clinical Commissioning Group, and other key county-wide services to enable an exchange of information and views for the benefit of Somerset's people. Membership of the forum continues to grow and now includes Chamber of Commerce to begin to provide an important link to businesses.

In 2016 over 60 delegates attended the first Armed Forces Covenant conference with plans to run a similar event again in 2017 to coincide with Armed Forces Week. In 2016 we strengthened links with other south-west covenants which culminated in a south-west Covenant Fund bid and we are awaiting the outcome.

The Somerset Waste Partnership with all 5 Districts continues to run both waste disposal and waste collection services across the County. It has its own Joint Committee (the Somerset Waste Board), Constitution and Inter-Authority Agreement. It is still a unique undertaking nationally, and has provided substantial financial benefits to all partners and strong performance around areas such as recycling and food waste.

We undertake an annual Joint Strategic Needs Assessment (JNSA) with case studies and the outcome of consultation with specific population groups, (2017 older people, 2016 vulnerable young people). Other groups include a Carers' Forum, a Children's Stakeholders Forum, a UK Youth Parliament and an equalities group annual conference.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

SCC has very clearly defined outcomes that it has set out publically for the benefit of the residents of Somerset. The published County Plan 2016-2020 includes a Vision for Somerset and states the aims of more jobs; more homes; more powers from government; more local co-operation; better health; better education and prospects; better roads, rail, broadband and mobile signal. There is a strong commitment to the importance of adult and childrens social care.

There are also a number of longer term stated ambitions, which comprise a university for Somerset; a new market town; a major jobs boost through the creation of a business park; a significant push on energy initiatives; devolved powers from government and further joining up of our services with the NHS.

The County Plan recognises the financial challenges that the County Council faces, and seeks to bring in more funding and resources to be sustainable in the future. It seeks to remove social, economic and health equalities across the County. We recognise the need to work with our partners such as the Local Enterprise Partnership and the NHS to make our services sustainable.

Within this wider Vision, are a number of specific areas that underpin it such as our Devolution Bid that sets out the outcomes that we will deliver by 2030, the local context and our record of delivery, and the opportunities in the South West. It also sets out what central government would need to devolve in order to make this happen.

There are various processes that necessarily in place in order to ensure that we manage the change to our services and to our governance in an appropriate manner. We regularly report our progress in public on the Core Council Programme, which is the way in which we govern a number of major change initiatives that we are undertaking to improve our services. Performance information (via our Wheel) and financial information (via budget monitoring) are taken to Cabinet quarterly in order to consider the delivery of services and the financial position within the resources that are available. We have a Strategic Risk Management Strategy approved, and a risk management system (JCAD) to monitor our risks against our aims. Risk management is taken to the Audit Committee on a quarterly basis, and officers who have a responsibility for key risks have often presented their issues and mitigations in addition.

When we take decisions, such as the Learning Disabilities provider or the Medium Term Financial Plan (MTFP) process, we ensure that we not only consult, but also carry out a full equalities impact assessment, including a cumulative MTFP assessment.

Sustainable economic, social and environmental benefits

There are a number of ways in which the County Council ensures sustainable economic, social and environmental benefits through its operations, in addition to the Vision in the County Plan.

The capital programme regularly includes a number of investments that provide these benefits, such as a well-maintained highways network, provision for new schools, a substantial contribution to rural superfast broadband connectivity in the South West and a number of individual economic development projects designed to stimulate economic growth within the County such as innovation centres.

Recently, through the Somerset Waste Board, we have taken the decision to move almost entirely away from landfilling of our residual waste, and to enter a long-term contract with our waste disposal provider to establish an Energy From Waste facility instead. We have also continued to support additional recycling at kerbside, with the new Recycle More project seeking to increase the materials captured and diverted into recycling, and with other specific waste avoidance schemes.

We have already been working through our CASA project, to bring our services (and others) into the same physical location. This year we were delighted to open our first Customer Library Hub in Orchard Court, Glastonbury. This new space incorporating SCC, NHS, Mendip District Council and Citizen's Advice with an integrated Customer Service 'front desk' has been well received and praised by the local community. Not only does it save cash for reinvestment in frontline services it also makes it easier for our customers to access a range of services in one place designed around them and not the providing organisation. This work will continue, under the One Public Estate title.

When making any decisions, in accordance with our Constitution and guidance, there is a requirement to consider all impacts of the decision, and to clearly set out the reasons for the decision being made. Through our work on equalities, we make every effort to ensure fair access to services for all.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

The Framework requires behaviour that ensures decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided. The need for feedback and stakeholders is also important.

Somerset County Council's decision making processes as set down in our Constitution meet these requirements. Either decisions are made in the appropriate committee, such as Cabinet, with papers distributed in advance or debates and decisions clearly minuted, or they are made by the appropriate officer or member through the decision-making timetables and templates. Consultations and feedback are an integral part of the County Council's decision-making processes.

It is part of our way of working that the MTFP refresh each year is presented at Scrutiny prior to Cabinet consideration. Key decisions within the MTFP are also presented to the relevant scrutiny committee before decisions are taken. The overall MTFP strategy and

approach is also considered by all Scrutiny committees and Cabinet. Last year the MTFP was discussed at length at each of the three scrutiny committees twice and the approach had been presented to Cabinet both in September and again in December. The opposition and scrutiny chairs receive decision reports prior to publication as part of our governance framework. The overall scrutiny and audit framework plays a key role in shaping decisions and therefore their intended outcomes.

The County's Capital Investment Programme is included in these discussions with Scrutiny and Cabinet. There is an asset strategy group which makes recommendations to SLT and Cabinet and has three Cabinet members generally in attendance (those cabinet members with the significant portfolios of schools and infrastructure, alongside the Finance Cabinet member). The capital programme is influenced by much of the policy debate at Place Scrutiny.

In addition, on a number of occasions in the last 12 months there have been joint cabinet and CCG meetings to discuss our relative financial strategies as part of the STP work in which the Council's finances play a key role.

Planning interventions

Somerset County Council is a commissioning organisation, and its senior officer structure clearly reflects that approach with Lead Commissioner. A Commissioning Board is in place to oversee this activity, which is attended by key members of the Senior Leadership Team and by commissioning specialists.

Our intranet has specific guidance as to how we work through the commissioning cycle of Review, Analyse, Plan and Do. The commissioning plans are driven by the Medium Term Financial Plan and our commissioning intentions are built into a 'Commissioning Plan Tracker'. Individual Service Plans are then produced for the relevant managers to implement and deliver. A significant amount of work has been undertaken in 2016/2017 to align our commissioning intentions and turn them into service plans, with a new template and automated pre-population of MTFP savings and risk for greater integration and reduced duplication. Planning and MTFP timetables are also publicised.

Our Medium Term Financial Plan (MTFP) has been run on a thematic process, with an individual Senior Leadership Team member being responsible for each theme. There has been done to ensure that the MTFP is very much commissioning led across the authority as a whole, rather than run in service silos without enough regard for the wider authority's finances and services.

Our Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. Somerset County Council conforms to all the relevant legislation and best practice in publishing such plans and in publishing papers ahead of such meetings.

Our Core Council Programme includes a number of built in checkpoints for individual project's business cases to ensure that they are on track. This is now a well-established process, with an in built cost model.

We have demonstrated our flexibility in-year during 2016/2017, reacting to the changing budgetary position caused by increasing demographic and service pressures within our social care services. The Chief Executive implemented a 10 point plan in order to freeze any expenditure that was not statutory, essential and time-bound in order to protect the

overall financial resources available. As a result, the predicted outturn overspend was significantly reduced by the end of the financial year.

We regularly and routinely report our performance against our plans and budgets. In addition to the reports to Cabinet, each SLT Director now has an individual scorecard that summarises key performance indicators, project risks and financial information, which is discussed with the Chief Executive. The Core Council Programme has its own dashboard that is reported to the Senior Leadership Team. In light of the previous OFSTED findings and re-inspection regime, there is a fully developed reporting mechanism for children's services and QPRM papers.

Should the need arise, Business Continuity Plans have been developed and made ready. We have received Substantial assurance from the South West Audit Partnership as to the quality of this work, and are now engaged in helping partners with the same process.

Optimising achievement of intended outcomes

Our MTFP approach for this year, as described in September to Cabinet and during September Scrutiny committees, has been developed between September 2016 and February 2017 to such an extent that we have reduced forward year budget gaps significantly. Our MTFP is now seeking to find future savings of less than £20m across a 3 year period. Previously, this figure has been as high as £75m for a similar period. The management of savings over the last 5 years has all been with a clear focus from the administration on protecting the most vulnerable. This has featured in each County Plan produced and been a base from which the intended outcomes for services can be driven. Over this period our approach has been consistent. We set out to manage demand, manage costs and manage our own resources.

The themes were first presented to Cabinet back in September and have been developed further since then into the documents that went to Full Council in February. This approach has created a smaller number and a more joined up set of savings ideas that will provide a clear focus and can be resourced more easily. They will be developed into decision reports over the next few months and will then follow the normal governance process – some as Cabinet decisions, some as Cabinet member decisions and some as officer decisions. Each theme has a lead in Cabinet and in SLT. The seven themes were presented in the form of business cases making their intended outcomes much clearer than in the past when we had a long list of individual service proposals.

It is extremely difficult to balance funding with the service priorities we have. As with all other upper tier authorities, the pressures on Adult and Children's finances is intense, but the remainder of services fully understand the Council's priorities in this regard and produce excellent budget management and innovative savings proposals to meet the needs of the Council.

E. Developing the entity's capacity, including the capacity of its leadership and the individuals within it

Developing the entity's capacity

The Framework requires us to consider the use of our assets on a regular basis to ensure their continuing effectiveness. In terms of highways activities, there is already a requirement to management our network along principles established in the Transport Asset Management Plan (TAMP) and Highways Infrastructure Asset Management Strategy (HIAMS). Such activities, which are essential to ensure that we make the best

use of our resources in maintaining the highway, are financially rewarded through the DfT Local Highways Infrastructure Incentive Fund. Our work on highways asset management was recognised at year end when the County Council was recognised a Band Three authority – the highest available - by the Department for Transport. This in effect means that we are amongst the best county councils across the country, and it gives us access to extra funding in certain circumstances.

On the property side, we continue to review our operational use of buildings, such as our work through the One Public Estate (formerly CASA) as we rationalise our assets and make them more customer focussed. Senior officers within Property regularly meet with services, such as childrens and libraries in order to review the use and opportunities of our buildings. There is an Asset Strategy Group set up in order to oversee all our assets and our capital investment programme.

Whilst the County Council has always been a member of various benchmarking groups, particular work was done in 2016/2017 to benchmark key services against other comparable local authorities and seek to understand where we can improve.

We continue to work with key partners, as set out in the County Plan and elsewhere, to combine resources, work efficiently and provide joint services to our residents. Our Performance Wheel now has a dedicated Partner Section so that we can monitor our progress in this regard.

We have published Our People Strategy. This deals with a wide range of topics such as developing the workforce's skills and capacity, managing performance, succession planning, managing absence, recruitment and retention, health and wellbeing, reward and recognition. All of these topics are considered to allow the workforce to be engaged, empowered and enabled to deliver the best services to the people. We use programmes such as the 4C's to embed these behaviours amongst our staff. The Learning Centre is a growing on-line resource for training and development purposes. There is a significant amount of HR guidance available to managers and staff on the intranet dealing with a wide range of staffing matters and policies. There is a workforce planning toolkit available.

Developing the capability of the entity's leadership and other individuals

Somerset County Council's Constitution sets out a role description for members and a Member / Officer protocol. It also sets out the legal roles of the Leader and Chief Executive and their relationship, and a high level Council and Cabinet Scheme of Delegation. The various Standing Orders and Financial Regulations of the Council are reviewed at least annually by the Full Council and in the interim by the Constitution Committee. The Cabinet and the Senior Leadership Team meet regularly to discuss forthcoming business and issues.

Following on from elections, as will happen from May 2017, there is a full member induction programme to allow all members, but particularly any new ones, to understand how the Council works and the key services that it provides. New members are allocated a "buddy", who will be a reasonable senior officer who can help with initial signposting around the County Council and be available to help address any concerns or questions arising. There is an annual member training programme and Personal Development Plans (PDPs) for each member. Ad hoc training, such as the Statement of Accounts for Audit Committee members are arranged at the appropriate point in the annual cycle. All of the member training and support occurs under the oversight of the cross party Member Development Panel.

The Constitution also sets out the rights of the public to engage with the Council and its business through access to information, access to agenda and reports of forthcoming meetings and public question time provisions at formal meetings.

The Council has previously undertaken peer review of its activities and performance, and continued to report back against the recommendations until they had been achieved. It also responded positively to previous reports, such as the establishment of a further scrutiny committee for childrens' services following the previous OFSTED inspection.

All officers will have a formal Job Description and Assignment Sheet, setting out both the general responsibilities of their grade and the specific responsibilities of their individual role. Learning is widely available through the on-line Learning Centre, and where appropriate from the central training budget held by HR in order to use across the authority. Workforce planning identifies any succession planning matters.

A number of HR policies and initiatives are in place to maintain the wellbeing of the workforce, such as Health and Wellbeing Champions, Mental Health First Aiders, Carefirst and Occupational Health.

F. Managing risks and performance through robust internal control and strong public financial management

Managing risk

SCC has a formal risk management policy and strategy in place, which have been endorsed by the Senior Leadership Team and the Audit Committee.

There is a quarterly Risk Management update report to the Audit Committee, which looks at the highest scoring risks and monitors the progress of mitigations that are being undertaken to reduce either the likelihood or impact of the risks. Each risk has an allocated risk owner, who has the responsibility to review the risks, and to ensure that all mitigations are completed in the appropriate timescale. Audit Committee has called in the risk owner to the public meeting where they have required further assurance as to management of the individual risk. This has been the case with the overall financial position and with health and safety, for example.

We have a dedicated risk management IT system (JCAD) to record, monitor and report on our risks. Output from this system is for the relevant managers, but it is also a key component of the officer Strategic Risk Management Group (SRMG). This group is chaired by the Director of Finance and Performance, and membership includes risk management officers, service representatives and related disciplines such as audit and insurance managers.

Our Core Council Programme, which deals with major changes across the authority and by its nature has to consider the risks arising, has its own established risk management and issues strategy as it carries out its transformational work.

Managing Performance

Cabinet receives a quarterly Council Performance Report, which provides an overview of the Council's performance across the organisation. This report provides members and senior officers with the information they need to lead and manage the performance of the outcomes set out in the County Plan and the organisation.

The report has been updated to reflect the County Plan that was adopted by Full Council in February 2016 and a review of the priorities and the performance information that contributes to them has been carried out. Appendix A of the report is the Performance Wheel, which now has seven segments which reflect the “People’s Priorities” which are widely consulted upon through the Listening Learning, Changing Roadshows. There are four “Council” segments which seek to measure how well the council manages its relationships with partners, staff and the public and how good its ‘internal management’ processes are. There is one segment that seeks to reflect the performance of the Vision Projects being undertaken by the Vision Volunteers.

The report uses a RAG status for each Wheel segment and a direction of travel (improving, staying the same or deteriorating performance). Underpinning each of the segments is a series of metrics that are used to evaluate the performance.

On the same report, Cabinet receives an update on the progress of the Core Council Programme strategic priorities through its Dashboard reporting. Each of these priorities has a Senior Responsible Owner, who is a member of the Senior Leadership Team. The Core Council Programme also has its own Core Council Board to manage the delivery.

During 2016/2017, further work was undertaken to give Directors their own scorecard to manage key performance indicators across their span of responsibilities. This is used by the Chief Executive in line management meetings with his most senior staff.

There is a Performance Management and Framework Overview available on The Learning Centre.

Work has been done during 2016/2017 on the County Council’s Value For Money statement. This is partly to consider how we will respond to the external audit requirements on this subject, but also to confirm how Somerset will demonstrate its commitment to VFM.

SCC operates a total of 3 separate Scrutiny Committees, having added another committee specifically to improve member capacity on childrens’ services following the previous OFSTED inspections. These are public meetings, and the terms of reference for Scrutiny are set out in our Constitution and reviewed at least annually.

Financial performance is also taken quarterly to Cabinet in budget monitoring reports co-ordinated by Corporate Finance, who provide any necessary guidance, and prepared on the same basis as the Statement of Accounts.

Robust internal control

Our internal audit work is closely aligned with our risk management processes. Any internal audit report that only achieves “Partial” assurance is logged onto the JCAD system and all risks identified within Partial audits are tracked. Only when a Follow Up audit confirms that the management actions have been completed will the Partial audit be closed on JCAD. In addition, the recipient of a Partial audit is required to attend Audit Committee to explain to members how they are addressing the agreed actions arising out of the audit. To ensure that this was achieved, additional Audit Committee meetings were arranged in 2016/017 at the direction of the members.

SCC’s Audit Committee is very active, and in addition to the usual role of “those charged with governance” such as approving the Statement of Accounts, has received a number of Service Showcases (such as Business Continuity and IT) to consider the progress and

performance of these important functions. Our external auditor has previously commented very positively on the engagement and effectiveness shown by the Audit Committee.

Our internal audit function is provided by the South West Audit Partnership (SWAP). SWAP is a public sector not-for profit company that is wholly owned by a number of local authorities who have joined together to pool resources and share expertise. There is an increasing number of other public sector organisations joining SWAP as partners, providing further resources and skills to its already well-trained and qualified staffing. SWAP complies with all statutory requirements, and all best practice, such as that laid down in the Public Sector Internal Audit Standards. Peer reviews are used to provide an independent assessment of SWAP's processes. SWAP has recently won the inaugural innovation in audit award at a national Public Finance event. Judges commented that

"We really liked the Healthy Organisation themed reviews and behavioural model, which tackled important issues around assurance fatigue and systemic failure. It also demonstrated the benefits of a partnership, but firmly grounded in each organisations governance approach."

Our working relationship with SWAP is contained with an Internal Audit Plan and a Charter. These, together with our internal audit strategy, are worked up with SWAP contacts, SCC's audit lead and senior officers before being approved by the Audit Committee. Resources are specifically targeted at areas of greatest risk.

SCC has a robust Anti-Fraud and Corruption policy, with an absolute zero tolerance approach towards fraud. There are also subsidiary policies on Bribery and Money Laundering. All policies and work on fraud are reviewed annually. SCC participates fully in the National Fraud Initiative with other local sector organisations, to share data to catch fraudulent activity, and has recently reviewed its fraud provisions in relation to CIPFA's Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption. SWAP has a number of officers who are trained fraud specialists for any necessary investigation. The Internal Audit Plan has a resource available for fraud and governance guidance and reactive work.

Managing Data

SCC has its own Information Governance Board, which approves and monitors policy, risks, issues and security incidents. The Information Governance Manager is the designated Data Protection Officer. There is a comprehensive framework of Information Governance Policy that includes, Data Protection, ICT Acceptable Use, Monitoring and Surveillance, Data Breach Reporting and Communication. SCC is registered with the Information Commissioner's Office and is both PSN and NHS IG Toolkit compliant. All employees receive both induction and annual refresher information governance training. Items on this topic are also included in Core Brief.

SCC has overarching Information Sharing Protocols with our principle partners the NHS and the Police. We also have a number of Information Sharing Agreements with our other public sector partners to ensure the effective efficient and secure sharing of information. A register is maintained to ensure these agreements are kept up to date. When data is processed by a private sector body contracts include relevant data protection, confidentiality and FOI clauses to ensure secure data processing.

Services collecting, processing reporting information run regular audit procedures against their data to ensure accuracy for both the delivery of services to the public and for the planning and commissioning of services. Wherever possible this data is validated by

review meetings with individual clients and comparisons with independent data sources. Key client databases have in-built validation procedures to ensure data quality is as good as possible at point of being recorded. This is further supported by a suite of validation reports that identify issues/gaps with data and these are accessed by both operation staff and support staff.

Strong public financial management

Our Finance service is fully staffed. Key posts are filled with suitably qualified and experienced staff. Subject matter experts are employed in key technical posts such as insurance, pensions and treasury management. Continuing Professional Development (CPD) is supported as resources permit, and we have run our own CPD sessions previously and plan to do so again.

Financial updates are regularly reported to Cabinet, and where appropriate to other committees such as Audit Committee. This includes regular budget monitoring and outturn reports, plus updates on our Medium Term Financial Planning (MTFP). All decision papers (for committees, Cabinet member or senior officer delegated decisions) require financial sign-off before the decision can be taken. Finance officers provide support to transitional work under the Core Council Programme.

All expected financial policies and procedures are in place, and subject to review as appropriate. Our financial system, SAP, has all the relevant division of duty controls in ordered and expenditure, and there is a hierarchy of financial delegations, with only the most senior officers being able to commit SCC to significant expenditure. We have a strong track record of recovering monies owed to the County Council.

Our MTFP processes are critical, and we have a commissioning and theme-based approach to finding efficiencies (such as in procurement), alternative service delivery methods and generating income in order to balance our books.

We have received positive feedback from both internal and external auditors in their specific statutory roles. The Internal Audit Plan has resources allocated to looking at financial systems and processes within SCC. There is a strong track record in previous internal audit reports, with Substantial or Reasonable assurance regularly achieved from this independent reviewer. The external audit reports regularly to the Audit Committee and has regularly commented positively on SCC having the appropriate financial controls in and the appropriate stewardship and leadership in place to be effective.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Implementing good practice in transparency

Somerset County Council routinely publishes a large amount of information about itself and its activities. Our performance reports are published on our websites, and we distribute Your Somerset free of charge to our residents. As expected, we have a transparency site to comply with the relevant legislative requirements to publish both spend and certain categories of information. This is reviewed at the Governance Board.

Committees meet in public session unless there is a statutory need for a confidential item to be considered. Agendas are published on our website in advance of each meeting. We have recently implemented MODGOV software, which makes it easier to follow background papers for agenda items and decisions made in one place.

Implementing good practices in reporting

A number of reports are produced that set out our activities and inform the organisation, residents and stakeholders as to our progress. The Leader's report is taken to Full Council for information and for the Council to consider the Cabinet recommendations where necessary. There are also regular reports from the Monitoring Officer, section 151 officer and County Solicitor as and when required. There is also a requirement for the Chair of each Committee to take an Annual Report to Council to update on their work during the previous year.

All decision making reporting follows an approach that requires such decisions to be taken by an appropriate committee, member or senior officer, and requires sign-off by finance, legal, HR and the Monitoring Officer. There is a need to consult or inform relevant members ahead of the decision being taken. Our Cabinet Member and officer Key Decision reports are published.

We report back on the staff survey results, and particularly where these have been implemented. This is on our website on the "You said, we did" pages. We publish our Staff Survey results in full, such as the June 2016 Staff Engagement Survey. We also report back through Core Brief and through management teams to staff.

In our Statement of Accounts, we include a narrative on the financial position and on challenges that the County Council is facing. We always include the Annual Governance Statement alongside the Accounts for the period that they both represent.

Assurance and effective accountability

As above, we report on all Partial internal audits received from the South West Audit Partnership, and the relevant managers are required to attend Audit Committee to explain what actions they are taking in order to address the audit report's findings. Any internal audit report that achieves Partial (or No Assurance) automatically receive a Follow Up audit to check on progress. Only the auditor can close an audit, and only when they are satisfied as to completion of actions.

Would we to receive any corrective action required by the external auditor through the Accounts process, we would report back our progress through the Audit Committee public meetings.

Where we have had Peer Reviews in the past, we have had a public action plan to make any recommended improvements, which remained open and was regularly reported on until actions were completed.

Officers have Job Descriptions that set out corporate and individual responsibilities for their role, and there is a Constitution Scheme of Delegation that sets out what powers and responsibilities fall to which committee, individual member or officer. Our Governance Board has, as part of its remit, the role of sounding board and advice to the Monitoring Officer (or other officers as required) in considering any potential issues that he (or they) are obliged to investigate. There is a Standards Board for members.

When we report progress, such as the Core Council Programme, we include the names of the responsible officers, who are to ensure delivery of that particular initiative. We follow project management principles throughout this Programme.

The Role of the Chief Financial Officer

In June 2016, CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). We are obliged to include a specific statement on whether the authority's financial management arrangements conform to the 5 governance requirements of this CIPFA Statement, and, where they do not, to explain why and how they deliver the same impact.

Statement	SCC response
The Chief Finance Officer in a public service organisation:	The Director of Finance and Performance at Somerset County Council:
1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest	1. is a member of the Senior Leadership Team attending all SLT meetings, reporting directly to the Chief Executive. 2. is a member of both Commissioning Board and Governance Board 3. has overall responsibility for the MTFP and financial strategy and reports regularly to Cabinet and Council
2. must be actively involved in, and able to bring influence on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy	1. is (or is through his appointed representative) on all major officer groups and committees such as OFSTED, Learning Disabilities, SWB 2. has financial sign off of all Key Decisions before they can be implemented 3. is a member of SRMG and attends Audit Committee 4. signs off all grant terms and conditions before they can be accepted
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	1. has sole authority for Financial Regulations, Financial Procedures, the Income Code of Practice and all underlying policies and procedures 2. has overall responsibility for the internal audit function and plan 3. has management responsibility for the VFM work in the Performance team
4. must lead and direct a finance function that is resourced to be fit for purpose	1. has a finance structure in place with suitably qualified and experienced individuals in all senior positions 2. chairs a Finance Management Team of Strategic and Service Managers to give direction and to shape financial plans
5. must be professionally qualified and suitably experienced	1. is a CIPFA qualified accountant, with experience across a wide range of

	financial disciplines 2. is an active member of the Society of County Treasurers and is a spokesperson for waste, environmental and growth issues
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Review of effectiveness

Somerset County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This has been undertaken by the officer Governance board, which is chaired by the Section 151 Officer. This review of effectiveness is informed by a number of pieces of evidence, which have included:-

- the detailed work undertaken to answer the 7 new principles and numerous sub-principles and actions under the new governance Framework, and the evidence provided from a wide variety of managers and subject matter experts
- the Healthy Organisation report commissioned from the South West Audit Partnership to review all key elements of governance at Somerset County Council
- the Internal Auditor's proposed annual opinion report for 2016/17
- officers' views on the effectiveness of the internal audit function through a review taken to Audit Committee annually in line with the new Public Sector Internal Audit Standards
- external auditors' comments as part of their Statement of Accounts and Value For Money audits, including their positive assessment of internal audit
- the work and effectiveness of the Audit Committee itself, as summarised in its annual report to Full Council
- the comments received in relation to the positive progress being made in response to the previous OFSTED inspections
- comments from other review agencies and inspectorates
- a review of the work undertaken by the Governance Board over the previous financial year, including its widened membership and terms of reference
- the work undertaken on the Value For Money framework
- individual knowledge of individual Governance Board members
- quarterly reports to the Audit Committee relating to risk management and key risks presented

A key source of evidence to support the Annual Governance Statement come from our internal auditors, and this will come from the Annual Report and Opinion of the South West Audit Partnership (SWAP). During the year, the South West Audit Partnership reported in public to every Audit Committee in accordance with our Charter, and brought a number of control issues to the attention of the members.

The internal auditor has confirmed that, subject to the satisfactory completion of the 2016/2017 Internal Audit Plan, she expects to give "Reasonable Assurance" in respect of the areas that they have reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

There have been a number of individual audits that have only achieved "Partial Assurance" in 2016/2017, but this is accepted because our Internal Audit Plan strategy specifically

directs audit resources to areas that management consider are riskier in nature and require strengthening.

The auditor has commented that the management response to SWAP's findings is generally very good. The process has been greatly enhanced by Audit Committee's "calling in" of "Partial Assurance" audits and the monitoring on JCAD of all risks deemed Medium/High or High. In her opinion, this demonstrates effective control and governance.

A formal report and opinion from the internal auditor will come to the Audit Committee on 29th June.

The Audit Committee itself, acts as "those charged with governance". The Committee meets regularly, considers a wide range of business to seek assurance, and has been confirmed as "effective" by the external auditor.

Officers have concluded that there are effective measures in place to deliver governance as set out in the Framework. It is acknowledged that no framework can be entirely complete and effective, and that all governance arrangements need to be monitored to ensure that they are still fit for purpose and also that they are adhered to.

Where the review has suggested a possible improvement to our governance, this has been considered by the Governance Board and as a result officers will draw up an Action Plan to be agreed by Audit Committee and monitored during the forthcoming financial year to ensure delivery. This is in accordance with the CIPFA Code of Practice.

Significant governance issues

There is an expectation that an Annual Governance Statement is also forward focussed in that it considers governance issues that Somerset County Council will need to address as it carries out its functions in the forthcoming financial year.

The work done by the South West Audit Partnership under the Health Organisation audit provides a valuable basis for reviewing our governance processes across a wide range of support services in particular. Each finding contained within this audit has a response and an owner to address the audit finding in the forthcoming financial year. It is planned that the Healthy Organisation audit is repeated in early 2018/2019. Effectively, this provides the basis for an Action Plan on governance issues, to be monitored by the Governance Board in the first instance.

Overall, the Healthy Organisation audit and work done in response to the Delivering Good Governance in Local Government: Framework provided a positive reflection of our current governance arrangements.

The financial position remains of concern, despite additional monies received for the BCF. A balanced budget has been set for 2017/2018, and the reserves available to us for 17/18 are at the same level as the previous year, taking into account the Council Tax surplus. However, as the Revenue Support Grant reduces to nil over the next 2 years, and with the growing pressures of the significant financial pressure from demographic growth in social care, from additional statutory duties and from legislation such as the minimum wage, members and officers alike both acknowledge the need for careful financial planning and further savings to be delivered.

There is further financial uncertainty over how Brexit may impact on the County Council.

The role of the Core Council Programme and our commissioners to effect changes to our services will be critical as a result. We remain a commissioning led organisation and will continue to seek the most effective, efficient and economical way of delivering services to our residents and visitors, regardless of provider.

The importance of continued economic development across Somerset remains, not least because of the forthcoming switch to local retention of business rates. Support for economic development is being delivered in a number of ways – through Hinkley, through enhanced broadband provision under the Connecting Devon and Somerset project, and through individual opportunities to attract business growth to Somerset.

There are a number of specific examples of where the County Council will need to demonstrate good governance in delivering specific future services and plans, often in partnership arrangements. Some of the key ones are:

Sustainability and Transformation Plan (STP)

Somerset County has been defined as the local STP footprint and the lead health agencies (CCG, Taunton and Somerset NHS Trust, Yeovil District Hospital Trust, Somerset Partnership NHS Trust) have been charged with developing the STP. Throughout the NHS have sought to ensure that the STP has a health and social care focus. The Chief Executive has been leading the STP programme and the SCC Leadership team are heavily engaged as a full partner in the STP development. Governance issues that need to be addressed will include the pooling issue for budgets and the decision-making powers of whatever entity is created to provide health and social care, specifically how members of the Health and Well-Being Board and Cabinet can influence decisions affecting Somerset residents.

<http://democracy.somerset.gov.uk/documents/g261/Public%20reports%20pack%2021st-Nov-2016%2010.00%20Cabinet.pdf?T=10>

OFSTED

Following the 'Inadequate' judgement from the Ofsted Inspection carried out between 20 January 2015 and 11 February 2015, the Secretary of State, in May 2015, instructed SCC to work with officials at Essex County Council, as "the Department's advisers".

Much work has been done since that time, with regular reports to Cabinet and Scrutiny. As part of the monitoring arrangements for the DfE Quarterly Performance Review Meetings (QPRM), Children's Services have met all the requirements of the Direction to the satisfaction of the DfE Advisors (Essex County Council). Following reports from the DfE advisors, the Minister of State for Vulnerable Children and Families has confirmed in December 2016 that there has been "significant improvement" in Somerset's Children's Services, including more manageable case-loads, a more stable workforce and better partnership working. The Minister noted that these changes have led to tangible improvements in social work practice, resulting in children and families receiving a considerably better service than previously.

We await the Ofsted re-inspection with dates not yet known.

Learning Disabilities

The contract between Dimensions UK Ltd, Discovery SCBV and Somerset County Council commenced on April 1st 2017. This was the culmination of a long procurement process that has seen the workforce of over 1,000 staff in our Learning Disabilities service transferred to a social enterprise. The decision to transfer the LDPS emerged from the need to make significant changes to the way that the service is delivered. The current, in-house, service had become increasingly unsustainable, less competitive and had a number of poor physical environments. Some of the service provision did not readily support positive integration of people with a learning disability within their broader community and in essence segregates them. The service was also limited in the range of support provided. The service needed to modernise and in order to be both attractive to future customers and provide a modern range of support as well as ensuring sustainability the service needs to address its major cost element which is staff costs.

Heart of the South West Local Enterprise Partnership

During 2016/17, the Heart of the South West Local Enterprise Partnership (HoTSW LEP) was awarded £56.7m Growth Deal funding from the Government's Local Growth Fund, a fund set up to fund projects that benefit local areas and economies. DCLG paid the monies to Somerset County Council as the accountable body for the Local Growth Deal.

More information on the Heart of the South West LEP can be found here:

www.heartofswlep.co.uk

The Senior Leadership Team will be instrumental in identifying and managing the risks which arise from all these developments and will ensure that our governance arrangements continue to be fit for purpose.

Pat Flaherty
Chief Executive
July 2017

David Fothergill
Leader of the Council
July 2017