

# Draft Annual Governance Statement (2017/18)

**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 2017/2018*. 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 – Financial Governance, ECI and Corporate Services at [mgerrish@somerset.gov.uk](mailto: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)

This framework sets out the way in 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, Legal and Governance, and 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 seek to 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 additional 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.

Unless stated below, the governance framework has been in place at Somerset County Council for the whole of the year ended 31 March 2018 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.

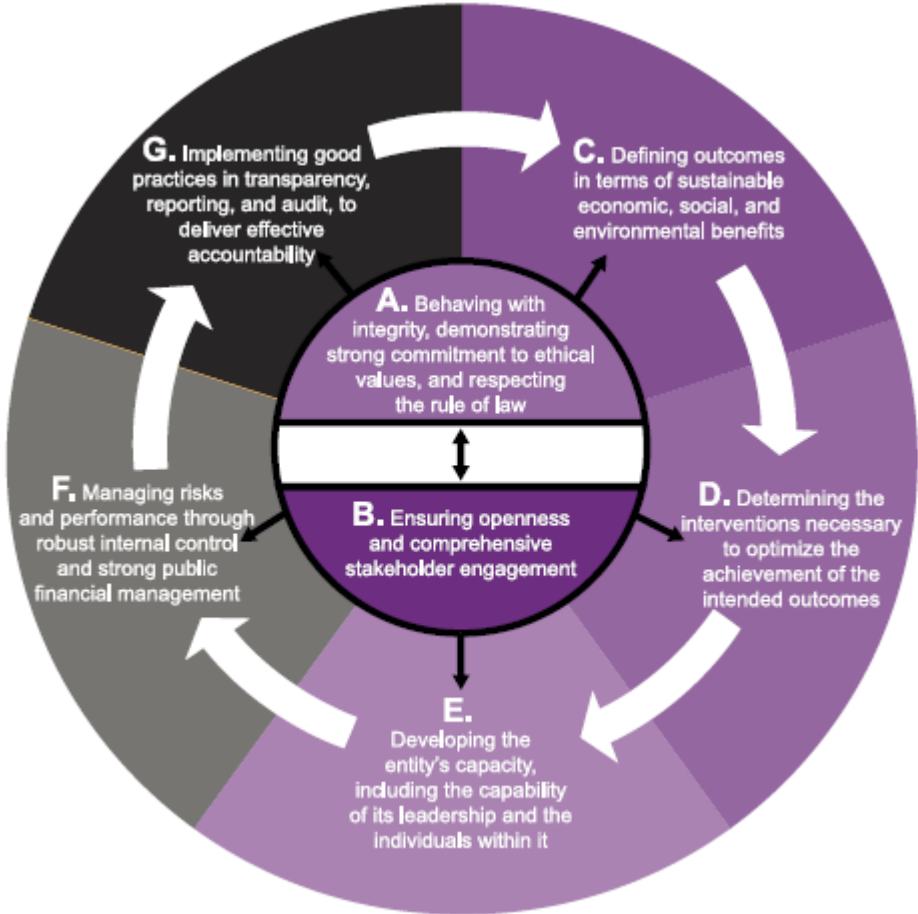
### **Review of our governance framework**

*Delivering Good Governance in Local Government: Framework (2016)* was an update to the previous 2007 publication, and 2017/2018 is the second financial year for which this framework applies. Whilst there is some clear correlation with the principles set out in the 2007 publication, the new Framework did require the Governance Board to carry out a very full review based on the 7 new principles and numerous sub-principles and actions last year, 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.

Subsequent to the review for the 2016/2017 accounts, for 2017/2018 key officers have considered their responses to the principles outlined below, and either confirmed that these are still in place or have provided an updated position.

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 – Financial Governance, ECI and Corporate Services at [mgerrish@somerset.gov.uk](mailto:mgerrish@somerset.gov.uk).

The principles within the required 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 in their respective roles. Whilst the Members Code of Conduct has been published in the Councils Constitution for many years to improve transparency, there is an intention to strengthen transparency and assurance 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”, and post-election they have a full induction and training programme, including the Members Code of Conduct. Given that elections were held in May 2017, this is a relatively recent occurrence. It is not unknown for further tailored training sessions to be run for interested members on specific topics, such as finance, the Council’s strategic priorities and commissioning services. The Council’s Monitoring Officer oversees member induction and support services for elected members and specific objectives are set out in a Member

Development Strategy. The Council has a Member Development Panel which has cross-party membership and works with officers on improving support for elected members which includes training and other activities to support the Code of Conduct. 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.

Whilst the Council does not operate annual “member appraisals” as such in the same way that it does for its officers, it does offer Personal Development Plans. These are undertaken voluntarily and are particularly targeted at county councillors that are new to the council. These provide an opportunity for reflection and action. Part 2 of the Council’s Constitution includes details regarding a number of rules, codes and protocols that are required of those acting on behalf of the Council.

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 annual Staff Awards, where staff are asked to nominate colleagues who have demonstrated these cultural 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. These registers are included as part of the Internal Audit Plan for 2018/2019).

### **Demonstrating strong commitment to ethical values**

SCC operates a Constitution and Standards Committee, created by the merger of the previously separate Constitution and Standards Committees in May 2017. Under the Constitution, this Committee “has responsibility for promoting high standards of conduct by Members, Co-opted Members and Officers and for the policies and processes which support this aim”. This Committee meets at least quarterly, and reports into Full Council at least annually and more often should the need arise. During 2017/2018, this Committee considered and approved (amongst other items) new rules to strengthen standards for councillors, and issues around Access to Information and the Constitutional Provisions.

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).

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 which is overseen and administered by the Council’s Monitoring Officer.

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

### **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 Constitution is reviewed quarterly by the Constitution and Standards Committee, and updated at least annually by Full Council to ensure that it remains fit for purpose and is legally compliant.

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 Democratic Services.

All contracts must be let in accordance with SCC's Contract Standing Orders, and with the guidance of specialist procurement and legal services 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. The Access to Information requirements were reviewed by the Constitution and Standards Committee during the financial year and updated at the Council meeting in May 2018.

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 well in advance, again in accordance with Access to information requirements. We have a dedicated intranet page that clearly directs officers and report writers to the detailed requirements to take decisions in accordance with the Constitution and Schemes of Delegation

We automatically provide a substantial amount of information on our and our partners' websites. We comply with the transparency requirements, and go through an 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 5 years and has spoken to over 20,000 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 2017/18 we have contributed to 51 consultations and external surveys with over 7,200 individuals engaged. We have also assisted with three internal staff surveys to the entire workforce. Some of the key consultation/engagement work carried out over the last year includes:

- Family Support Service and Children's Centre Consultation;
- Somerset Libraries Services Consultation 2018
- Sheltered Housing Support Consultation
- Drugs and Alcohol Partnership Service Consultation
- Children and young People with Hearing Impairments
- Pharmaceutical Needs Assessment
- Healthy Eating and Physical Activity Support in Somerset.

Supporting engagement and consultation for the Health and Social Care Strategy will be forthcoming as well as being heavily involved in communications/engagement/consultation work required to support the local government reorganisation discussions in Somerset.

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. There is also a Partnership Protocol, which summarises the position of Somerset County Council when working in partnership. It also sets out what is expected of Officers and Elected Members when they are involved in a partnership.

We have led a consortium of 19 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. During 2017/2018, this has progressed into becoming the Heart of the

South West Joint Committee, established under Sections 101 to 103 of the Local Government Act 1972. The key purpose of the Joint Committee is to be the vehicle through which the HotSW partners will ensure that the desired increase in productivity across the area is achieved. This is a significant governance opportunity for the future.

The partnership working with our health partners remains of critical 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. The Council is also the lead authority for the Somerset Health and Wellbeing Board which has its own Constitution.

During 2017/2018, the County Council, along with our key partners on the Health and Wellbeing Board, adopted the Somerset Prevention Charter, recognising that getting prevention right is essential to the future sustainability of public services. The Prevention Charter provides a common understanding of prevention across many organisations. This work links significantly with both the County Plan and the Somerset Health and Wellbeing Strategy where the focus is on supporting people to live healthier lives.

We undertake an annual statutory Joint Strategic Needs Assessment (JNSA) which informs the Health and Wellbeing Strategy. Whilst focusing on older people, the implications affect all ages across all communities

In addition, during 2017/2018 Somerset considered a Joint Strategic Commissioning Function bringing together the health and social care commissioning responsibilities of Somerset Clinical Commissioning Group, Somerset County Council and NHS England. This approach requires much greater use of pooled budget arrangements through Section 75 powers.

There is a quarterly Voluntary, Community and Social Enterprise (VCSE) Strategic Forum (complete with its own website) 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. This includes an Annual Leaders Conference. In early 2017, along with key partners, we commissioned the first Somerset VCSE State of the Sector Report.

The Somerset Armed Forces Covenant brings together charities, local authorities, other public sector organisations, businesses, communities, individuals and the military in a pledge of support between local residents and the armed forces community in Somerset.

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.

The Corporate Peer Challenge was extremely positive in the County Council's engagement with its partners, such as the HotSW LEP, and commented that this provided a "more effective foundation on which to improve outcomes" and that the County Council

was “our partner of choice” from several external stakeholders.

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

#### **Defining outcomes**

For 2017/2018, SCC had very clearly defined outcomes that it has set out publicly 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 children’s 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 inequalities 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.

A new County Vision and Business Plan will go to Cabinet in June 2018, which will replace the existing Vision that was in place during 2017/2018.

The Corporate Peer Challenge “found a clear causal relationship between the council’s priorities and the needs of the communities it serves”.

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 transformational initiatives that we are undertaking to improve our services. We regularly report on our progress through the Performance Wheel reporting mechanism. Risk management work is reported quarterly, so that members are aware of the risks and mitigations to achieving our aims.

When we take decisions, such as the Medium Term Financial Plan (MTFP) process, we ensure that we not only consult, but also carry out an equalities impact assessment, including a strategic MTFP assessment.

#### **Sustainable economic, social and environmental benefits**

The capital programme regularly includes a number of investments that provide these benefits, such as a well-maintained highways network, provision for the building of new schools, a substantial contribution to rural superfast broadband connectivity in the South



West and a Business Growth Fund allocation. We have been successful in attracting a substantial amount of Growth Deal funding through our Local Enterprise Partnership (LEP) for the benefit of Somerset, and numerous grants for specific highways schemes. Key Decisions taken in 2017/2018 by Cabinet have included the Yeovil Western Corridor and the Somerset Energy Innovation Centre (Phases 2 and 3).

The Somerset Waste Board took the formal decision on Recycle More during 2017/2018, with an implementation date commencing in April 2020. This will result in additional material being recycled at kerbside, improving our recycling rate by including plastics and other materials in the recycling stream. The Recycling Centres will also be taking more separated recyclable materials. Together with the Energy from Waste (EfW) facility that will also be operational in April 2020, the County Council will have moved entirely away from landfilling of our residual waste. The recent motions against Single Use Plastic has also been supported by Somerset Waste Board, and a joined-up approach across the public sector in Somerset established.

We continue our CASA project, examining our property assets and seeking to bring our services (and others) into the same physical location. Investment has been approved to undertake essential works to A Block of County Hall, not only to bring the building up to the necessary specification, but with a view to making maximum use of the facility as we continue to look at property rationalisation. As part of this refreshed approach, all property assets will be reviewed to determine the business case for disposal, commercial use or strategic retention, on a case by case basis through existing decision-making structures.

When making any decisions, in accordance with our Constitution and guidance, there is an absolute requirement to consider all impacts and implications 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 and debates and decisions clearly minuted, or they are made by the appropriate officer or Cabinet Member through the decision-making processes. Consultations and feedback are an integral part of the County Council's decision-making processes. 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 as a 'critical friend' in shaping decisions and therefore their intended outcomes.

In accordance with our previous practice, the MTFP refresh and proposals were presented to all 3 Scrutiny Committees (January 2018) prior to Cabinet and Full Council consideration, including commentary on the Capital Investment Programme. Key reports, proposals and consultations are also made available for Scrutiny Committee to contribute

to ideas and provide assurance, such as the Children and Young People's Plan, the Somerset Sustainability and Transformation Plan, and the property asset rationalisation approach and principles.

As above, the County Council also participates in a number of joint committees and boards such as the Health and Wellbeing Board and the Heart of the South West Joint Committee.

## **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. An officer Strategic Opportunities Board is now in place and reviews all proposed and pipeline contracts for new contracts.

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 overseen by the Commissioning Board, which has Senior Leadership Team and subject matter expert participation.

Our Medium Term Financial Plan (MTFP) continues to be 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. Key themes such as cross-cutting procurement and service redesign have been targeted as the way to drive future savings, as agreed by Cabinet.

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.

The continued financial strains on the County Council were recognised early in 2017/2018, reported to Cabinet and to Scrutiny, and measures put in place to reduce the overall impact by the end of year. The overspend position was therefore substantially reduced. Whilst additional funding for Adults was clearly an in-year factor, expenditure was challenged, and reduced through such measures as vacancy control and Expenditure Panels within services. By way of example, during 2017/18 senior public health managers undertook a prioritisation exercise in order to reset the priorities for the team following the reduction in the central public health grant. The tool has then informed the work programmes of teams, and individuals.

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, we have run a fully developed reporting mechanism for

children's services and Quarterly Performance Review Management (QPRM) papers during 2017/2018 to aid us to improve.

Should the need arise, Business Continuity Plans have been developed and made ready, and reviewed at Audit Committee. 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**

The continued themed approach to the MTFP has provided a level of continuity in the approach that has been employed. Whilst acknowledging the difficult position, it can be noted that the estimated gaps in future years are substantially reduced from figures previously required. At February 2018, these gaps were estimated at £8.615m in 2019/2020, £5.848m in 2020/2021 and £1.087m in 2021/2022.

It is still the intention that the MTFP does continue to look at future years and that our financial efforts are not restricted to year one. A number of economic projects are designed to increase opportunity and prosperity ahead of any firm decision on Business Rate Retention. Decisions are made to invest, where funds allow, in necessary infrastructure, such as new school buildings. The Capital Investment Programme included an indicative four-year programme.

The MTFP decisions taken in February 2018 ahead of the financial year included a Summary of MTFP 2018/2019 Impacts paper.

We have a Somerset County Council Social Value Policy Statement setting out our expectations for those who wish to do business with the County Council, and have had a SWAP audit reporting in November 2017 on social value, which gave Reasonable assurance. This accords with the Public Services (Social Value) Act 2012.

It is extremely difficult to balance funding with the service priorities we have to, and wish to, provide. It is acknowledged that the MTFP requires savings to be delivered in full and on time, a sentiment echoed by the Core Peer Challenge.

### **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 in early 2017, 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 grant funding. This value is set to increase over the next few years, and will be worth an additional £3.77m per annum by 2020/2021 if maintained, and our current DfT self-assessment suggests that it will.

On the property side, we continue to review our operational use of buildings, an approach that was formalised in a Key Decision on Asset Rationalisation. Key principles are:-

- Confirmation of SCC's overall policy of continued rationalisation;
- Confirmation that SCC's assets are seen as corporate assets;
- Endorsement of a more proactive approach to disposals, working with services, but driven centrally to meet current challenges;
- A clear preference for reducing our leasehold estate;
- Increased transparency and visibility of property costs and receipts; and
- A focus on the future of SCC's property estate as a flexible, low cost, sustainable and revenue generating portfolio.

Work has progressed on this basis. Internally, we have established an Asset Management Group to ensure alignment between corporate asset management plans, commissioning and service intentions.

The County Council has always been a member of various benchmarking groups across its services to better understand its costs and performance. In 2017/2018, additional benchmarking work was done with ORBIS, and specific enquiries were made in terms of Children's services (with Gloucestershire) and capital (with Devon).

We continue to work with key partners, as set out elsewhere in this Statement, 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 previously published a 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. Further work has been done throughout 2017/2018 on refreshing this Strategy, and once completed it will be introduced through roadshows and workshops. There are a number of key themes in the strategy and it sets out what we will do and what it will look and feel like in the future. Key themes include leadership, communities and partnerships, innovation and challenge.

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.

The Corporate Peer Challenge stated that "we saw many examples where the council was building capacity through its people. The council is proactive in terms of its approaches to staff engagement, empowerment and development."

### **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 the elections in May 2017, there was 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. Key member roles have a role description set out within the Council's Constitution which aids development programmes and expectations for the postholder. There is an annual member training programme and Personal Development Plans (PDPs) offered for members. 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 Corporate Peer Review noted “harmonious and respectful relationships between members and officers”.

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 Cabinet, 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 previously 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. Each risk will have a named risk owner. 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, Legal and

Governance, and membership includes the Monitoring officer, Deputy Section 151 Officer, 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 received a quarterly Council Performance Report during 2017/2018, which provided a high-level 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 ongoing progress towards the visions set out in the County Plan.

The established reporting format is the Performance Wheel, with 7 segments which reflect the 'People's Priorities'. The 'People's Priorities' are drawn from our County Plan, covering priorities for the whole of Somerset and are regularly discussed as part of our ongoing public engagement process. There are four 'Council' segments which seek to measure how well the council manages its relationships with partners, staff and the public and how it rates its internal management processes. 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. Key issues for members' consideration are highlighted.

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 High Priority Themes has a Senior Responsible Owner, who is usually a member of the Senior Leadership Team. The Core Council Programme also has its own officer Core Council Board to manage the delivery. The format sets out Achievements, Issues and Next Steps for each period under review.

Each Director now has 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.

SCC operated 3 separate Scrutiny Committees during 2017/2018, each with its own remit – Policies and Place; Adults and Health; and Children and Families. These are public meetings, and the terms of reference for Scrutiny are set out in our Constitution and reviewed at least annually. In line with other councils, our Scrutiny Committees have the right of "call in" on key decisions on matters that concern them and this is generally used on an exception basis.

Financial performance is also taken quarterly to Cabinet in budget monitoring and outturn reports co-ordinated by Corporate Finance officers, 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 then tracked. Only when a Follow Up audit confirms that the management actions have been satisfactorily completed will the Partial audit be closed on JCAD. In addition, the recipient of a Partial audit is required to attend a public Audit Committee meeting to explain to members how they are addressing the agreed actions arising out of the audit, in order to provide the necessary assurance.

SCC’s Audit Committee has a defined brief set out in the Constitution, and in addition to the usual role of “those charged with governance” such as approving the Statement of Accounts, has received a number of other reports during 2017/018, including reviewing the Anti-Fraud and Corruption work and endorsing the new Income Code of Practice. (Performance on collecting income due to the County Council has noticeably improved in recent months as the Code is rolled out). 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 (PSIAS), and is formally reviewed at the Audit Committee annually (latterly April 2018). Peer reviews are used to provide an independent assessment of SWAP’s processes. SWAP is now increasingly recognised for its work, particularly innovation, in awards processes from bodies such as CIPFA and the Municipal Journal.

Our working relationship with SWAP is contained with an Internal Audit Plan and a PSIAS-compliant 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. Internal audit 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. All fraud and corruptions allegations are investigated. There are also subsidiary policies on Bribery and Money Laundering. All policies, and our detailed 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. 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.

During 2017/2018, significant work was undertaken to ensure that Somerset County Council was in the best place to meet the requirements of the stringent EU-General Data Protection Regulations (GDPR) to be introduced in May 2018. The Information Governance Team at Somerset County Council asked SWAP to investigate and give assurance around the information sharing that takes place between the Council and its partners ahead of GDPR. This was brought to the Audit Committee in July 2017, and the Information Governance Manager also presented the requirements to senior management teams and to a number of key officer groups such as the Strategic Risk Management Group. SWAP found that “there is regular and transparent communication with partners setting out respective and mutual goals of information sharing and found “efficient use of resources in the governance of data sharing with other public bodies”.

### **Strong public financial management**

Our Finance service was fully staffed during 2017/2018. 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 and Scrutiny Committees. 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. Our MTFP processes remain critical, and Cabinet in July 2017 approved the continuation of a commissioning and theme-based approach to finding efficiencies (such as through procurement and third party spend), together with service redesign 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 on Accounts Payable, Budgeting and Payroll. Where this was not the case for Accounts Receivable, the audit was discussed at the Audit Committee in November 2017, a new Income Code of Practice launched and is being rolled out. Collection performance improved strongly in the last quarter of the financial year. We have always had a strong track record of recovering the overwhelming majority of money owed to the County Council.

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. The Statement of Accounts presented to Audit Committee in July 2017 was highly commended by the external auditor in terms of quality and timeliness.

Whilst the Corporate Peer Challenge in March 2018 did highlight the financial challenges facing the County Council, it did comment that the Council was “well served by its Financial Services staff” and that it saw “sound financial expertise and advice”.

### **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 quarterly performance reports are published on our websites. 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 through the Annual Assurance Report at the officer Governance Board, and helpful improvements made, such as where we have improved the timeliness of reporting of our procurement card transactions, after benchmarking with other local authorities.

We have reviewed the Freedom of Information requests that we receive, and are seeking to be more proactive in publishing data that is regularly requested. Progress has been made in a move towards publishing pensions data. We have responded to the MHCLG Strengthening Local Government Transparency Consultation and are awaiting the results.

A new SCC Data Strategy is being developed, designed to improve all of the ways we acquire, record, store, manage, share and use data. This will allow us to provide a better customer service, more efficiently meet statutory requirements and have more open data.

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 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 annual report is taken to Full Council for information along with each Cabinet Member providing annual reports. In addition, where specific decisions are required at Full Council, it receives the Leader and the Cabinet’s recommendations where necessary. Details of all key decisions taken are also reported to each Full Council meeting for information and provide a further opportunity

for members or the public to ask questions of Cabinet Members. There are also regular reports from the Monitoring Officer, section 151 officer and County Solicitor as and when required. There is also a Constitutional 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, cabinet 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, including the Chair of the relevant Scrutiny Committee and Opposition Spokesperson, ahead of the decision being taken. Our Cabinet Member and officer Key Decision reports are published on our website.

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 October 2017 Working Well Survey. We also report back through Core Brief and through management teams for staff results in their areas.

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 independent reviews and inspections, such as the recent OFSTED reinspection, we have maintained our principal of public reporting and a public action plan to make any recommended improvements, which will be regularly reported on.

Officers have Job Descriptions that set out corporate and individual responsibilities for their role, and there is the Constitution and Officer 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 and Head of HR (or other officers as required) in considering any potential issues that they are addressing. There is the Constitution and Standards Committee that oversees constitutional or conduct matters 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 conformed to the 5 governance requirements of this CIPFA Statement during 2017/2018, and, where they do not, to explain why and how they delivered the same impact.

Statement	SCC 2017/2018 response
<p>The Chief Finance Officer in a public service organisation:</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>The Director of Finance, Legal and Governance at Somerset County Council:</p> <ol style="list-style-type: none"> <li>1. was a member of the Senior Leadership Team attending SLT meetings, and reporting directly to the Chief Executive.</li> <li>2. was a member of the Commissioning Board (including the Strategic Opportunities Board) and was the Chair of the Governance Board</li> <li>3. had overall responsibility for the MTFP and financial strategy and reports regularly to Cabinet and Council</li> </ol>
<ol style="list-style-type: none"> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. was (or was through his appointed representative) on all major officer groups and committees such as the QPRM team for OFSTED improvements, Learning Disabilities, SWB</li> <li>2. was responsible for financial sign off of all Key Decisions before they can be implemented</li> <li>3. was the Chair of the Strategic Risk Management Group and attends Audit Committee to provide assurance and along with other SLT Directors acts as expert witness for member lines of enquiry</li> <li>4. signed off all grant terms and conditions before they can be accepted</li> </ol>
<ol style="list-style-type: none"> <li>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.</li> </ol>	<ol style="list-style-type: none"> <li>1. had sole authority for Financial Regulations, Financial Procedures, the Income Code of Practice and all underlying policies and procedures</li> <li>2. had overall responsibility for the internal audit function and plan</li> </ol>
<ol style="list-style-type: none"> <li>4. must lead and direct a finance function that is resourced to be fit for purpose</li> </ol>	<ol style="list-style-type: none"> <li>1. had a finance structure in place with suitably qualified and experienced individuals in all senior positions</li> <li>2. chaired a Finance Management Team of Strategic and Service Managers to give direction and to shape financial plans</li> </ol>

<p>5. must be professionally qualified and suitably experienced</p>	<p>1. was a CIPFA qualified accountant, with experience across a wide range of financial disciplines</p> <p>2. was an active member of the Society of County Treasurers and is a spokesperson for waste, environmental and growth issues</p>
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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 referred to above
- the Healthy Organisation report previously commissioned from the South West Audit Partnership and the work undertaken by the Governance Board to track all the recommendations made
- the Internal Auditor's proposed annual opinion report for 2017/18
- officers' views on the effectiveness of the internal audit function through a review taken to Audit Committee in April 2018, in line with the prevailing 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 during 2017/2018, as summarised in its annual report to Full Council in May 2018
- the positive progress achieved and now acknowledged in response to the previous OFSTED inspections
- comments from other review agencies and inspectorates
- a review of the increasingly varied work undertaken by the Governance Board over the previous financial year
- individual knowledge of individual Governance Board members acting as subject matter experts
- quarterly reports to the Audit Committee relating to risk management and key risks and mitigations
- the report and recommendations of the Corporate Peer Challenge that was hosted in March 2018 and reported in May 2018

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 (recently re-endorsed) 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 2017/2018 Internal Audit Plan, she expects to give “Reasonable Assurance” in her Opinion 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 2017/2018, 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. Balancing this, there have been a number of Reasonable Assurance audits completed.

The internal audit process is enhanced by Audit Committee’s “calling in” of “Partial Assurance” audits and the monitoring on JCAD of all risks deemed Medium/High or High. Suitable Follow-up from management to internal audit findings remains the key. Evidence suggests that the recommendations are generally actioned, which in her opinion, demonstrates effective control and governance. However, she has commented that the timescales for responding are sometimes in excess of those originally agreed, and therefore the County Council could be exposed to risks over a longer period of time than necessary. This will need to be addressed during the Internal Audit Plan officer responses for 2018/2019.

A formal Report and Opinion from the internal auditor will come to the Audit Committee on 21<sup>st</sup> 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 overall that there are effective measures in place to deliver governance as set out in the CIPFA / SOLACE 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 there is compliance.

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 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.

In the Internal Audit Plan for 2018/2019, we have again commissioned a Healthy Organisation audit from SWAP. This is a key review carried out across the SWAP partnership to help ensure that there is an adequate governance framework in place. It is proposed that this is run on a 2 year cycle, one year to audit and one year for SCC to respond. This will again look at 8 separate governance themes (Corporate Governance; Financial Management; Risk Management; Performance Management; Commissioning and Procurement; Programme and Project Management; Information Management and People & Asset Management) and the SCC position. Effectively, this provides the basis for

an Action Plan on governance issues, to be monitored by the Governance Board in the first instance.

Previously, 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.

In terms of specific and significant governance issues that the County Council will face in the immediate future, the following are considerable matters to address:-

#### Financial Position

The continued difficult financial position of the County Council is well known. National issues such as the increasing demographic pressures on adults and childrens social services, significant inflation in some areas such as transport, plus the removal of the Revenue Support Grant (over £73m since 2013/2014 for Somerset) have left local authorities seeking efficiencies and savings to bridge the gap (over £120m savings in Somerset over the last 7 years). Some recognition of the scale of the problem has been forthcoming in the shape of an Adult Social Care precepting power and the improved Better Care Fund grant.

Whilst the Council is able to present a balanced budget for 2018/19, it is on the basis that all savings proposals included are achieved and services manage demand within approved budgets. The estimated financial gap for the next 3 years (up to and including 2021/2022) was £15.550m as at the Cabinet and Council meetings in February 2018.

The County Council, at its own instigation, hosted a Corporate Peer Challenge (sometimes referred to as a Peer review) in March 2018. Whilst the final report was very positive around a number of themes, (including governance as outlined in some points included above), it did highlight the financial difficulties that the County Council faces, and the need to deliver current and future savings in full and on time. The report sets out a number of recommendations that would address the financial concerns, focussing on “strong financial accountability in all areas of the organisation”, with a framework “owned corporately and consistently applied”. The County Council is addressing all these recommendations as a matter of urgency.

Inevitably, developing and delivering savings are increasingly difficult to find and implement, and the impact on services are therefore commensurately higher each year. The Senior Leadership Team has the task of addressing both in-year and forward year cost pressures. We have continued to be open with staff and partners as to the nature of the problem through Roadshows and communications such as Your Somerset.

In addition to looking at fixing the short and medium term budget issues, the County Council continues to look to the longer term economic prosperity of the County and region. Working with the LEP and other partners, we continue to bring in substantial Growth Deal funding and to seek other critical infrastructure funding such as the Housing Infrastructure Fund Forward. We continue to maximise opportunities from Hinkley and Connecting Devon and Somerset.

#### Heart of the South West (HotSW) Joint Committee

After a successful period acting as a Shadow Committee, and having received the necessary consents and approvals from all 19 partner authorities, the Heart of the South West Joint Committee met formally for the first time on 23<sup>rd</sup> March 2018.

The key purpose of the Joint Committee is to be the vehicle through which the HotSW partners will ensure that the desired increase in productivity across the area is achieved.

Currently, the only delegated function of the Joint Committee is the approval of the HotSW Productivity Strategy, although it is probable that other functions will subsequently be delegated. The Joint Committee shall develop, agree and ensure the HotSW Productivity Plan in collaboration with the LEP and the Constituent Authorities. It will continue the negotiations with central government on the possibility of achieving devolved responsibilities, funding and related governance amendments to assist with the delivery of the Productivity Plan, and to secure delivery of the Government's strategic infrastructure commitments, e.g., strategic road and rail transport improvements. It will work with the LEP to identify and deliver adjustments to the LEP's democratic accountability and to assist the organisation to comply with the revised (November 2016) LEP Assurance Framework.

Somerset County Council has been appointed by the Constituent Authorities as the Administering Authority for the Joint Committee. Providing support to the Joint Committee will inevitably require the County Council to adapt its own governance arrangements to align. Internally, the County Council has already amended its structure in order to provide a senior officer to act as the Strategic Manager – Partnership Governance, who will ensure that the new Joint Committee adheres to its governance arrangements and to run the public committee.

#### Local Government Reorganisation

Following preliminary work done internally during 2017/2018 as to the potential financial benefits for Somerset, (potentially from £18m to £28m), the Leader of the Council took the decision in May 2018 to commission feasibility work to explore whether a new local authority model (such as the reorganisation of local government authorities in Somerset) could better deliver the Council's priorities and provide additional benefit in comparison to the existing two-tiered model of local government. Whilst the decision clearly states that it is "only seeking approval to research, evaluate, engage and support" at this stage, should the outline business case be positive overall, then clearly there would be substantial governance challenges to manage in order to deliver any change to the status quo.

The proposals involve establishing a member working group, chaired by the Leader of the Council, to oversee the development of an outline business case and make recommendations. The Leader of the Council will also lead on ongoing partnership working and engagement with key stakeholders such as District Leaders, Somerset's MPs and government representatives.

#### Council Vision

Following the elections in May 2017, during 2017/2018, officers and members have been tasked with a new Council Vision for Somerset County Council. This was taken to Cabinet and Council in November 2017, and the final Vision returned to the Council meeting for adoption in May 2018. The Vision summarises three key approaches for our residents; to have ambition; to have confidence; to improve outcomes.

This Vision can only be achieved by close working with our partners, from Police, Fire and Health, through the Voluntary and Community sectors, and finally with our residents, businesses and communities. The Vision has been widely shared and there have been a number of other events and opportunities for our staff and partners to influence the Vision

including a round of Leader and Chief Executive Road shows for staff and a strategic partners' event held in January and March 2018.

This is a strategic Vision; therefore it does not have direct financial impacts. It does however set the ambitions, priorities and principles that will underpin all key decisions as well as being a reference point in the Medium Term Financial Plan and in Commissioning and Service plans. It is therefore the key building block for the County Council going forward, against which all decisions will be measured.

A wider Vision for Somerset as a whole has been developed in parallel with the County's; it has been agreed by the Health and Wellbeing Board that this wider Vision should be adopted and promoted alongside its "Improving Lives" strategy.

## OFSTED

From having been judged as "Inadequate" in the OFSTED inspection carried out in January and February 2015, the County Council has been working with Essex County Council as "the Department's advisers". By December 2016, the Minister of State for Vulnerable Children and Families had 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.

Ofsted re-inspected Somerset Services for children in need of help and protection in November 2017. The report was published in January 2018 and provided an overall outcome of "Requires Improvement to be Good" in all service areas, other than Adoption which was judged to be Good. The report outlines 13 recommendations for improvement which have been incorporated into Programme 6 of the Children and Young People's Plan for 2018/19.

The OFSTED report made it clear that whilst some areas of the service were viewed as strong (such as the front door service), that there were still a number of areas that were weaker (such as Safeguarding & Corporate Parenting arrangements), and that overall the judgement indicated that services were just over the line. It is clear that there is still progress to be made in getting to Good, and the appropriate tracking of progress against the recommendations is essential, such as through the Scrutiny for Policies Children and Families Committee.

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 and support the delivery of the Council's priorities.

**Pat Flaherty**  
**Chief Executive**  
*July 2018*

**David Fothergill**  
**Leader of the Council**  
*July 2018*