

Audit Committee

Thursday 28th November 2019

10.00 am

**Council Chamber,
Council Offices, Brympton Way,
Yeovil, BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



The following members are requested to attend the meeting:

Chairman: Martin Carnell
Vice-chairman: Mike Hewitson

Robin Bastable
Mike Best
Dave Bulmer

Malcolm Cavill
Brian Hamilton
Paul Maxwell

Robin Pailthorpe
1 Vacancy
Derek Yeomans (IM)

If you would like any further information on the items to be discussed, please contact the Case Officer on 01935 462038 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 20 November 2019.

Alex Parmley, Chief Executive Officer



This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app

Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held bi-monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

Audit Committee

Thursday 28 November 2019

Agenda

Preliminary Items

- 1. Apologies for absence**
- 2. Declarations of Interest**

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

- 3. Public question time**
- 4. Date of next meeting**

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on 23 January 2020 in the Council Chamber, Brympton Way, Yeovil.

Items for Discussion

- 5. External Audit Progress Report** (Pages 5 - 19)
- 6. Risk Management Update** (Pages 20 - 45)
- 7. Local Code of Corporate Governance** (Pages 46 - 67)
- 8. Audit Committee Forward Plan** (Pages 68 - 69)

Agenda Item 5

External Audit Progress Report

Portfolio Holder: Cllr Peter Seib, Finance and Legal Services
Director: Netta Meadows, Director – Strategy and Support Services
S151 Officer: Paul Fitzgerald, S151 Officer
Lead Officers: Paul Fitzgerald, S151 Officer
Catherine Hood, Specialist - Finance
Contact Details: paul.fitzgerald@southsomerset.gov.uk or (01935) 462226
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Purpose of Report

This report introduces Grant Thornton's Audit Progress and Sector Update Report for the year ending March 2020.

Recommendations

That the Audit Committee is asked to note the attached report.

Introduction

The report from Grant Thornton, the Council's external auditor, provides the Audit Committee with an update on progress in delivering their responsibilities to the Council and its stakeholders.

The report also provides a summary of emerging national issues and developments, and includes a number of challenge questions the committee may wish to consider regarding these.

Financial Implications

None for the purposes of this report.

Background Papers

None

Audit Progress Report and Sector Update

South Somerset District Council
Year ending 31 March 2020

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November 2019



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Introduction



Barrie Morris

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2019

Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 31 July 2019.

We will begin our planning for the 2019/20 audit in December 2019 and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the statutory accounts publication date of 31 July 2020.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the statutory accounts publication date of 31 July 2020.

Progress at October 2019 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 is in progress and will be completed by the 30 November deadline. We will report our findings to the Audit Committee in our Certification Letter in January 2020.

Meetings

We met with Finance Officers in September as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Audit Committee.	July 2019	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	January 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

CIPFA – CFO confidence survey

In July, the Chartered Institute of Public Finance and Accountancy (CIPFA) reported the results of their annual confidence survey.

The survey found that the majority of local government finance officers have lost confidence in their future financial positions over the last year.

Seventy per cent of respondents said they were either slightly less or much less confident in their financial position this year compared to 2018-19.

The survey also found that 68% said they were either slightly less or much less confident in their ability to deliver services in 2020-21. Sixty-two per cent expressed equal confidence in their financial position for 2019-20 as they had last year.

CIPFA found that the area of greatest pressure for top tier authorities was children's social care, with the number of authorities rating it as the biggest pressure rising by six percentage points.

For districts the greatest pressures were housing, cultural services and environmental services.

Rob Whiteman, CIPFA chief executive, said: "Local government is facing greater demand pressures than ever before, with particularly pressures in adults' and children's social care and housing. Local authorities also lack certainty about their future financial positions, so it's unsurprising to see confidence on the decline.

"We have repeatedly pointed out that local government is in need of a sustainable funding solution, but meeting this demand requires more than pennies and pounds. The sector as a whole must come together to address the challenges of effective service delivery."

CIPFA's survey received a total of 119 responses from authorities in the UK - 56 top tier authorities, 47 English districts, 12 Scottish authorities, and 4 Welsh authorities.



On the same theme, a Local Government Association (LGA) survey, also reported in July, found that almost two-thirds of councils believe cash for services like adult social care, child protection and preventing homelessness will dry up by 2024-25.

The survey got responses from 141 of the 339 LGA member councils in England and Wales.

It also found that 17% of councils were not confident of realising all of the savings they had identified this year (2019-20).

The LGA said that councils needed a guarantee they will have enough money to meet growing demand pressures in particular in adult social care, children's services, special educational needs, homelessness support and public health.



Financial confidence



Challenge question:

How confident over its' financial position is your Authority? Has this changed from previous years?

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”

In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.



National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Page 15 Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)


Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation is open until 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

 National Audit Office
Consultation response by the National Audit Office
Local audit in England Code of Audit Practice
Issues paper: Consultation response

Local Government Association – Profit with a purpose – delivering social value through commercial activity

The Local Government Association (LGA) report 'Profit with a purpose' focuses on some of the practicalities of how councils can deliver social value through their commercial activity.

Through 'key questions' to ask, the guidance supports councils to face the challenge of how to undertake commercial activity and achieve greater value for the public purse in ways that better meet society's needs and outcomes for people and communities.

In addition, the publication features a number of short case studies highlighting some of the innovative commercial practice already achieving results for communities.

The LGA comments that the best approaches ensure the generation of social value is the primary factor driving commercial activity; from the initial decision to develop a commercial vision to how the approach is developed, and implemented, councils which are pulling ahead ensure social value is placed centre stage.

The guidance starts with an overview of what the LGA understands by 'profit with a purpose', the guidance explores different types of social value and the role of councils in driving social value alongside their commercial ambition.

The guidance then looks at how consideration and delivery of social value should be practically considered when deciding on whether to embark on commercial activity, the need for social value to be prioritised alongside financial return and the key questions councils should consider when embarking on a commercial initiative.

Following on from this, there are specific chapters on; embedding social value in governance of alternative service delivery vehicles, the role of procurement in contracting services that deliver social value and finally how to contract and performance manage social value through your service providers.

Each chapter outlines the factors that need to be considered and the 'key questions' councils should be asking themselves.

In addition, a number of short case studies are provided to highlight some of the innovative commercial practice already achieving results for communities.

The report can be downloaded from the LGA website:

<https://www.local.gov.uk/profit-purpose-delivering-social-value-through-commercial-activity>



Profit with a purpose

Delivering social value through commercial activity

Profit with a purpose



Challenge question:

If your Authority is looking at commercial activity, have you considered the LGA report?

MHCLG – Brexit preparations

Councils should be fully prepared to leave the European Union by the end of October, the Communities and Local Government Secretary announced on 3 August as he ramped up preparations.

Mr Jenrick thanked councils for all the work they have already done, but said they must step up vital preparations and committed £20 million for councils across England to prepare for delivering Brexit on 31 October, subsequently extended to the end of January 2020, whatever the circumstances.

He has asked each council to designate a Brexit lead to work with central government and oversee teams in every community who will work with stakeholders in their area to plan intensively for Brexit.

The new funding comes in recognition of the central role councils will play to make sure their residents are ready for Brexit, and is expected to support a range of activity including communications, training and the recruitment of staff.



The Secretary of State said:

“From Whitehall to town halls – everyone needs to be ready to fulfil our democratic mandate to leave the European Union by the end of October.

Local government has a vital role in helping to make Brexit a success and it is absolutely right that together we intensify preparations in every community.

And to do this successfully I have asked every council to appoint a Brexit lead to work with government. We’ll be providing £20 million for councils to support the major step up in preparations.

I want all of us – central and local government – to be fully prepared for leaving the EU on 31 October whatever the circumstances. I know that we can achieve this, by continuing to work side by side with renewed national focus and intensity.”

Brexit preparations

Challenge question:

Who is your Brexit lead and how is your authority supporting Brexit preparations?



Public Accounts Committee – Local Government Governance and Accountability

The Public Accounts Committee has found that the Government has not done enough to ensure that, at a time when local authority budgets are under extreme pressure, governance systems are improved.

The Ministry of Housing, Communities & Local Government (the Department) is responsible for: ensuring that this framework contains the right checks and balances, and changing the system if necessary. The Secretary of State also has powers to intervene in cases of perceived governance failure. The framework includes: officers with statutory powers and responsibilities; internal checks and balances such as audit committees and internal audit; and external checks and balances such as external audit and sector-led improvement overseen by the Local Government Association. These arrangements represent a significant reduction in the level of central oversight in recent years following the government's decision to abolish the Audit Commission and the Standards Board for England as part of a broader reform of local audit, inspection and reporting.

The Public Accounts Committee report summary notes "Local authorities have a good overall track record with governance arrangements generally robust across the sector, and there is evidence that local authority governance compares favourably to that of the health sector. However, this is not universal and in some authorities governance is under strain, as funding reduces and responsibilities and exposure to commercial pressures change. We are worried to hear about audit committees that do not provide sufficient assurance, ineffective internal audit, weak arrangements for the management of risk in local authorities' commercial investments, and inadequate oversight and scrutiny. This is not acceptable in the more risky, complex and fast-moving environment in which local authorities now operate.

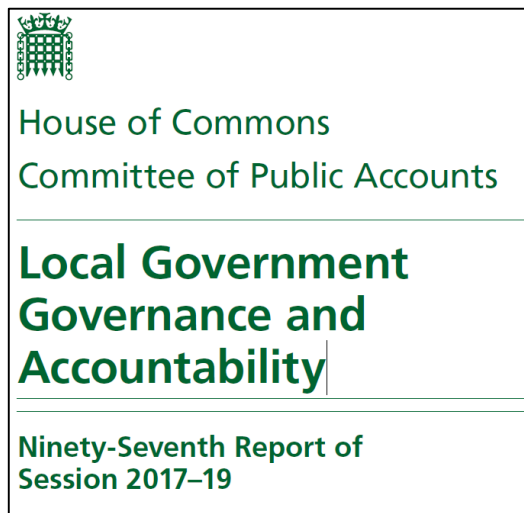
The Department has been reactive and ill-informed in its approach to oversight of the local governance system. However, the Department has now recognised that the network of bodies with responsibility for the local governance framework is fragmented and lacking the leadership needed to drive change. Encouragingly, the Department has now committed to enhancing its oversight role and producing a proactive work programme to deliver this change. We urge the Department to ensure that this activity leads to concrete actions and outcomes on a timely basis. When a local authority fails this has a significant impact on local people and the Department has a responsibility to work with local government to ensure that problems are caught early and that it can pinpoint at-risk councils. Since the abolition of the Audit Commission and other changes culminating in the Local Audit and Accountability Act 2014 there is no central assessment of value for the money, which means the Department's work is fundamental."

The report makes five conclusions, with associated recommendations:

- 1) The Department is not yet providing effective leadership of the local governance system.
- 2) The Department does not know why some local authorities are raising concerns that external audit is not meeting their needs.
- 3) The Department lacks reliable information on key governance risks, or relies on weak sources of information, meaning it has no way of pinpointing the at-risk councils.
- 4) The Department's monitoring is not focused on long-term risks to council finances and therefore to services.
- 5) There is a complete lack of transparency over both the Department's informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The Government response is available on the website below:

<https://www.parliament.uk/documents/commons-committees/public-accounts/Gov-response-to-Public-Accounts-on-the-93-98-reports.pdf>



Agenda Item 6

Risk Management Update

Director: Netta Meadows, Director of Strategy and Support Services
Lead Specialist: Jan Gamon, Lead Specialist, Strategic Planning
Lead Officer: Brendan Downes, Specialist, Strategic Planning (Procurement)
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Purpose of the Report

Audit Committee has a role in ensuring that the Council has adequate and robust risk management processes and policies in place.

This report is provided to communicate availability of a revised risk policy, and to inform Audit committee of recent changes to the risk approach. Your review and suggested amendments are welcome.

Recommendations

1. Audit Committee review and comment on the proposed draft policy
2. Audit committee approve changes to the risk approach, as summarised below.
3. Audit Committee make recommendations on the new framework and approach to measure and monitor risks

1. Context

Risk: “The effect of uncertainty on objectives, often described by an event or a change in circumstances”

Risk Management: “Coordinated activities to direct and control an organisation with regard to risk”

Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation

Strategy and Commissioning has reviewed the overall SSDC approach to risk management, with the objective to ensure it is operating efficiently, effectively and supports the new council approach to achievement of its objectives. This approach is described in detail in the attached **Risk Policy and Toolkit** (this policy is draft pending approval of the new framework and policy content).

This review has involved detailed review and consolidation of the existing risk register (TEN) alongside identification of new risks with input and guidance from SLT/LMT and key officers, to create a risk framework that reflects our new organisational ethos of “One Team”.

The review has also enabled a more consistent approach to evaluating, monitoring and escalating risk through clearer definition and use of risk categories, as well as improved clarity on whether risks are strategic, corporate or operational.

2. What has stayed the same

2.1 Risk Matrix:

- Maintained the current 5X5 matrix and impact and likelihood model to score risks – this is standard, proven practice. This has now been complemented by a clearer explanation of how each category of risk is scored to provide clarity to users.
- Maintained the TEN risk scoring methodology as this generates more meaningful scores, and promotes focus on high impact risks; e.g.
 - Certain likelihood (5) x Minimal Impact (1) = Score 7
 - Remote Likelihood (1) x Catastrophic Impact (5) = Score 17

I M P A C T	Catastrophic	17	22	23	24	25
	Significant	12	18	19	20	21
	Moderate	6	13	14	15	16
	Limited	2	8	9	10	11
	Minimal	1	3	4	5	7
		Remote	Unlikely	Possible	Probable	Certain
		LIKELIHOOD				

2.2 Risk appetite:

- Maintained the standard “risk appetite” line for SSDC at Risk Score 16+ as a standard. The function of the appetite line is to trigger additional scrutiny or escalation of risks. However, we should be aware that in certain circumstances the risk appetite may vary. For example specific commercial projects might require a less risk-averse approach, so a system that allows for a degree of local adaptation is desirable.

3. What has changed;

3.1 Risk Categories:

- Risk categories have been reduced and aligned to current organisational functions, based on input from SWAP and Zurich risk consultants. The use of fewer categories in the risk system will provide more consistency in risk groupings, and allows category specific guidance on scoring should provide more consistent impact scores.

3.2 Risk Register Platform:

- It is desirable that risk is described in a consistent way throughout the organisation and that all associated SSDC risk registers and risk matrices (Project risk reports, PID's, Executive reports etc.) align in their structure, scoring methodology and general principles of operation.
- An excel template has been developed which provides a simpler interface for users to input, score and manage risks associated to a specific area of work.
- Maintaining a consistent structure and methodology for all registers will allow for collation, analysis and reporting of risks by category, owner and risk score.

3.3 The Framework of Risk Registers:

A new system of risk registers has been developed, which has been described more fully in the risk policy. This can be summarised as:

- **Strategic risk register** which records the significant long term risks facing the authority. These are material risks to the organisation, community or the overarching corporate objectives, and looking at a future impact over 3 to 5 years
- **Category risk registers** which will capture corporate risks as well as provide oversight of all project risks coded to a specific category. Common risks across a number of areas of the organisation that require a consolidated corporate response or action plan.
Category registers will include:
 - Project / Programme Delivery (PMO)
 - Staffing / Capacity
 - Financial
 - Delivery of Services
 - Governance and Legal
 - Health Safety and Environmental
 - Reputational Risk
- **“Project” risk registers**, developed for projects, initiatives and significant areas of work. A proposal on an initial set of project registers is shown below, however the structure of registers would be flexible and develop over time as required by management.
 - Chard Regeneration
 - Yeovil refresh
 - Wincanton
 - Transport Strategy
 - Housing Strategy
 - Future State
 - Elections
 - Trading Company
 - IAG

3.4 Escalation Criteria:

Clearer guidance is provided on when risks should be escalated. Strategy and commissioning will review all risk registers with the relevant owners and develop a joint proposal on when risks should be escalated using the following principles:

- **Criteria to escalate:**
 - On review, despite attempted mitigation, risk remains above appetite
 - Aggregated View on a project e.g. 6 risks on a specific project are above appetite and it is felt additional scrutiny would be of value
 - Degree of discomfort of risk owner: Belief that risk cannot be controlled/contained within its current level: Request for CRL to initiate a review
 - Risk is a significant single Point of Failure for Organisation
 - A risk that impacts on more than 1 area or category or is too unwieldy to manage at the current level
- **Criteria to de-escalate/ remove:**
 - the risk can be controlled / managed at a lower level

- the risk rating decreases significantly
- the risk event will only affect one function / service area / team
- the impact will be limited
- Existing Issue that is already in play (the here and now) / Has become BAU
- Is a risk that in reality is best managed through dynamic risk assessment (“on the job”)

3.5 Set up and reporting:

- Strategy and Commissioning is facilitating risk workshops to generate / review existing risk registers for projects and categories.
 - Strategy and Commissioning will support risk register owners (Project and Category) with the ongoing review of these registers at an appropriate frequency, aligned to existing meeting schedules and pace of change.
 - Strategy and Commissioning will report on the risk profile to SLT and Audit committee on a quarterly basis.
 - Strategic Risk Workshop with joint SLT / LMT in July 2019, then annually.
 - Quarterly review of strategic risk register with SLT
-

Risk Management Policy & Toolkit

Managing Risk – the key to
successful organisational
performance

Date 1/09/2019 – Version No. 1

Foreword

Welcome to the South Somerset District Council Risk Management policy, revised in September 2019. We are fully committed to improving the effectiveness of risk management across the Council as this allows us to:

- have increased confidence in achieving our priorities and outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- improve partnership working arrangements and corporate governance

Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

Risk Management is the responsibility of everybody at South Somerset District Council and the aim of this policy is to explain our approach to risk management and the framework that we will operate to ensure that risks are effectively managed.

Chief Executive
South Somerset District Council

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1. Introduction



Risk management is not a compliance exercise. It is an indispensable element of good management and corporate governance. It is the way an organisation manages its business, shapes strategy and objectives, and goes about achieving its goals. All organisations face risks in undertaking their business as there is always the possibility that an event or action will adversely affect their ability to achieve objectives. As an organisation we face a significant number of risks and it is therefore important that the Council should recognise its responsibility to adopt an effective risk management process.

Risk management will help identify and deal with the key risks facing the organisation in the pursuit of its objectives. The Risk Management Process outlined within this policy should be used to identify and manage all risks to South Somerset's ability to deliver its priorities.

South Somerset District Council defines risk as: *"The effect of uncertainty on objectives, often described by an event or a change in circumstances"* and Risk Management as: *"Coordinated activities to direct and control an organisation with regard to risk"*

The benefits of successful risk management include:

- **Improved service delivery** – fewer disruptions, efficient processes, improved controls.
- **Improved financial performance and value for money** – increased achievement of objectives, reduced impact and frequency of critical risks.
- **Improved corporate governance and compliance systems** – robust corporate governance, fewer regulatory visits.
- **Improved insurance management** – leading to a lower number of claims, a lower impact of uninsured losses and reduced insurance premiums.

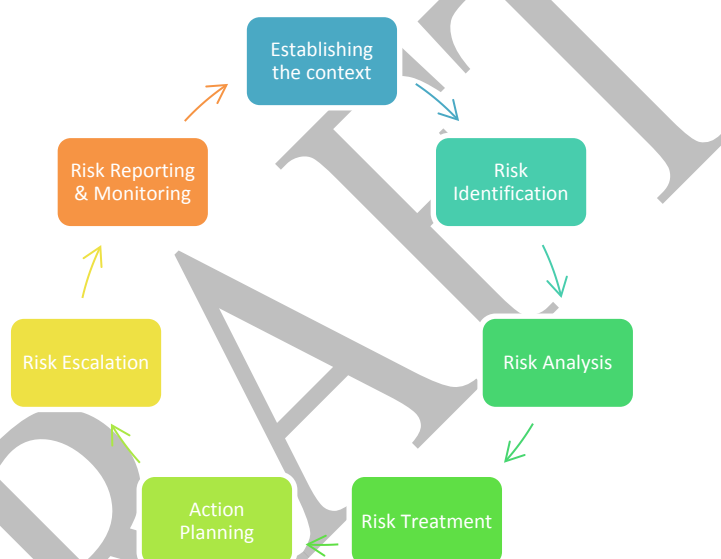
This Risk Management policy provides a framework and process to support managers in ensuring that South Somerset District Council is able to discharge its risk management responsibilities fully. The policy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully. Detailed information on how to implement this policy is provided in the Risk Management Toolkit at the end of this document.

Risk management should not be seen as a means of reducing all risk to the council. Indeed, in order to deliver our objectives we must have an appetite for a certain amount of risk and innovation. As a large and diverse organisation it is recognised that our risk

appetite will vary according to the activity undertaken and hence different risk appetites and tolerances will apply. South Somerset District Council aims to be risk aware, but not overly risk averse, and to actively manage business risks to protect and grow the organisation and achieve our strategic aims. In making informed decisions we will consider, on an individual basis, all options and opportunities and their associated risks. We will respond to those risks appropriately and take the actions most likely to successfully deliver our vision whilst also providing an acceptable level of value for money.

2. Overview of the Risk Management Process

The Council's risk management process consists of a series of co-ordinated activities, applicable to all levels and activities of the Council.



Step	Activity
Establishing the context	Understanding of key outcomes and objectives for the organisation, directorate or service being assessed.
Risk identification	Risks to the organisation are identified and described
Risk analysis and evaluation	Scoring and prioritising the risks based on likelihood and impact in order to determine the optimal action for managing the risk.
Risk treatment	Deciding what to do about the risks – treat, tolerate, transfer, terminate or embrace.
Resourcing controls and action planning	Putting controls into place and planning actions to reduce risks to an acceptable level within an agreed time frame.
Risk escalation	The escalation or downgrading of risks between the strategic, directorate and departmental levels of the Council.
Risk reporting and monitoring	Risks change and so need regular monitoring and reporting to appropriate stakeholders.

3. Roles and responsibilities

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following summarises the various roles and responsibilities.



Role	Responsibilities
The Senior Leadership Team / Strategic Directors	<ul style="list-style-type: none"> • Identify, assess, evaluate and manage the critical risks faced in delivering their business plans. Understand where a business risk has a corporate or strategic impact and escalate accordingly • Review the strategic risk register, identify and understand the most significant strategic and critical residual risks facing the Council. Understand the impact of these risks on stakeholders and performance • Obtain assurance from strategic risk owners that risks are evaluated and managed to ensure the achievement of the business plan • Make informed decisions about treatment of significant risks • Know how the organisation will manage in a crisis • Be assured that risk management is working effectively • Assure Members that appropriate risk management processes are in place across the Council
Leadership Management Team	<ul style="list-style-type: none"> • Ensure that planning in their area of responsibility includes adequate identification and ongoing evaluation of key risks at a “service critical” and operational/ transactional level. Use the Council’s risk management process • Have in place sufficient risk, financial and performance management processes and indicators to allow them to monitor their key business and financial activities, progress towards objectives and identify developments requiring intervention • Ensure that there is prompt and systematic reporting upwards on any perceived risks or failures of existing control which cannot be managed within their span of control • Embed the risk management framework into business as usual.
Procurement Specialist	<ul style="list-style-type: none"> • Develops the risk management strategy • Maintains and develops the risk management framework • Consolidates reporting of strategic risks and category risks • Facilitates the identification and evaluation of risks
Cabinet and Scrutiny Committees	<ul style="list-style-type: none"> • Know the most significant residual risks facing the Council. Know the impact of these on stakeholders and performance • Understand and be fully informed of the key risks and relevant controls associated with decision making

	<ul style="list-style-type: none"> • Understand who owns the risk at Strategic, category and project level and gain assurance that appropriate decisions are taken in respect of risk • Gain assurance that risk management processes are operating effectively
Audit Committee	<ul style="list-style-type: none"> • Scrutinises and monitors the effectiveness of risk management arrangements • Obtains assurance on the effectiveness of risk and internal control arrangements • Reviews the Strategic Risk Register on a regular basis
Individuals	<ul style="list-style-type: none"> • Understand their accountability for individual risks and the controls in place to manage those risks • Understand that risk management and risk awareness are a key part of the Council's operations • Report promptly and systematically to senior management any perceived risks or failures of existing control measures
SWAP Audit	<ul style="list-style-type: none"> • Provides assurance on the effectiveness of risk management processes • On a regular basis, evaluates the management and reporting of key risks • Conducts an annual review of the risk management arrangements • Arranges for training to be provided to all those who have responsibility for managing risk within the Council.

4. The Risk Framework at South Somerset District Council

4.1. Overview

A robust and effective approach to risk is necessary to guide our operational activities and support our strategic aspirations. This approach should be supported by coherent policies, processes and tools, but more critically must be underpinned with the right cultural mind set and attitude to risk management.

This can be articulated through a clear description of the level of risk we are prepared to accept in our day-to-day activities across the council. We need to acknowledge that how we think about risk will differ depending on context, roles, timing, impact and sensitivity. Risk needs to be managed at all levels of the organisation (strategic, programme, partnership, project and operational). As such, the overarching risk framework should support ownership and empowerment of the risk owner at the appropriate level.

This requires a shared understanding across the organisation of where risk is being managed and focus on appropriate topics at the appropriate level; i.e. allowing effective monitoring at the lowest possible level and only escalating the appropriate risks to SLT/Members.

The risk approach should ensure SSDC puts in place:

- Effective identification and evaluation of risks and opportunities
- Cost effective/proportional control of risks and opportunities
- an appropriate level of governance to protect the organisation from harm without stifling innovation
- a culture of creativity, innovation and transparency in which risks are understood and proactively managed at the correct level of the organisation, rather than avoided
- processes and tools to ensure the risks and opportunities are identified, assessed and addressed in a consistent way

The benefits of doing so would encompass:

- Informed strategic and operational decision-making to maximise our opportunities
- Safeguarding all persons to whom the Council has a duty of care
- Managing potential service disruption
- Improved project delivery
- Increased knowledge and understanding of the implications of risk and opportunity
- Proactive opportunity focussed mind set
- Minimising our vulnerability to fraud and corruption, and ensuring statutory compliance
- Better use of internal resources
- Reduced financial exposure

4.2. The “One Team” Risk approach

Strategy and Commissioning has reviewed the overall SSDC approach to risk management, with the objective to ensure it is operating efficiently, effectively and supports the new council approach to achievement of its objectives.

The new risk approach is based on the organisational ethos of “One Team”. This is intended to create a risk management approach that looks at risk holistically across the organisation, rather than focussing on performance risks in individual functional units which can lead to silo thinking and inefficiencies.

The SSDC risk approach is based on new framework of registers, which can be summarised as:

- Strategic Risk register which records the significant long term risks facing the authority
- Category registers which will capture corporate risks as well as provide oversight of all project risks coded to a specific category
- “Project” risk registers, developed for projects, initiatives and significant areas of work

4.3. Strategic Risks

On an annual basis SLT and LMT will hold a joint risk workshop to review the existing risk profile (of Project and Category risks), and identify the key strategic risks facing the organisation which would then be recorded as the Strategic Risk register.

Strategic risks would include

- Material risks to the organisation, community or the overarching corporate objectives
- Looking at future impact over 3 to 5 years
- Category risks that have been escalated

The Strategic Risk register will then be reviewed on a quarterly basis by SLT to address any new strategic topics or escalations from the broader risk framework

4.4. Category Risks

When a risk is created it will be allocated to a risk category type (Financial, Legal etc.). The category structure for SSDC has been simplified based on input from SWAP and Zurich risk consultants. The use of fewer categories in the risk system will provide more consistency in risk groupings, and guidance has been developed (appendix 1) to provide more consistent impact scores.

A category Risk register would include an overview of all project risks assigned to that category, as well as any additional risks (identified through annual category focussed risk workshops) such as:

- Common risks across a number of areas of the organisation
- Risks that require a consolidated corporate response or action plan.
- Risk with a potential future impact over 1-2 years.
- Risks from project, programme or initiative risk registers that have been escalated

It is anticipated that having a risk category approach will:

- provide oversight and monitoring of risks across the organisation related to a specific topic (e.g. People, Legal and Governance)
- create a more simplified framework to enable a consistent, integrated and consequential approach to risk management across SSDC
- enable more meaningful groupings of risks aligned to the relevant interest groups
- provide a clearer route of risk escalation through the organisation
- ensure consistency of measurement of risk, and prioritisation of SSDC resources on key issues

Category risk registers would be managed and reviewed using existing executive groups or forums (e.g. H&S category risks within the H&S Steering Group.) It should be noted that the owner of the category risk register (Category Risk Lead) would not own the risks, but would lead on and enable the review of risk. Their role is to provide oversight of risks related to their area of work, and guide risk owners on an appropriate response with guidance from Strategy and Commissioning

4.5. Project Registers

The risk framework also supports focus on priority projects and significant change programmes rather than the “business as usual” activities of the organisation where dynamic risk assessments based on professional judgement by officers is pragmatic and more appropriate.

In this context it is sensible to focus our risk management framework on the most significant and relevant risks to the organisation. Therefore it is proposed that risk registers should be maintained for:

- Projects, programmes & Initiatives
- Areas of Work (Not BAU) that may cause *significant* disruption
- Commercial opportunities as they arise.

The structure of project registers will be flexible and develop over time as required by management.

4.6. Review process

The risk review process will also be aligned to and integral to existing processes, utilising existing organisational forums to review and provide oversight of the organisational risks. This will ensure risk management is no longer seen as an administrative burden, but rather as an integrated part of the management approach which will promote a more positive risk culture within SSDC.

4.7. Escalation Criteria

Clear guidance is provided on when risks should be escalated. Strategy and commissioning will review all risk registers with the relevant risk register owners and develop a joint proposal on when risks should be escalated using the following principles:

Criteria to escalate:

- On review, despite attempted mitigation, risk remains above appetite
- Aggregated view on a project e.g. 6 risks on a specific project are above appetite and it is felt additional scrutiny would be of value
- Degree of discomfort of risk owner: Belief that risk cannot be controlled/contained within its current level: Request for CRL to initiate a review
- Risk is a significant single Point of Failure for Organisation
- A risk that impacts on more than 1 area or category or is too unwieldy to manage at the current level

Criteria to de-escalate/ remove:

- the risk can be controlled / managed at a lower level
- the risk rating decreases significantly
- the risk event will only affect one function / service area / team
- the impact will be limited
- Existing Issue that is already in play (the here and now) / Has become BAU
- Is a risk that in reality is best managed through dynamic risk assessment (“on the job”)

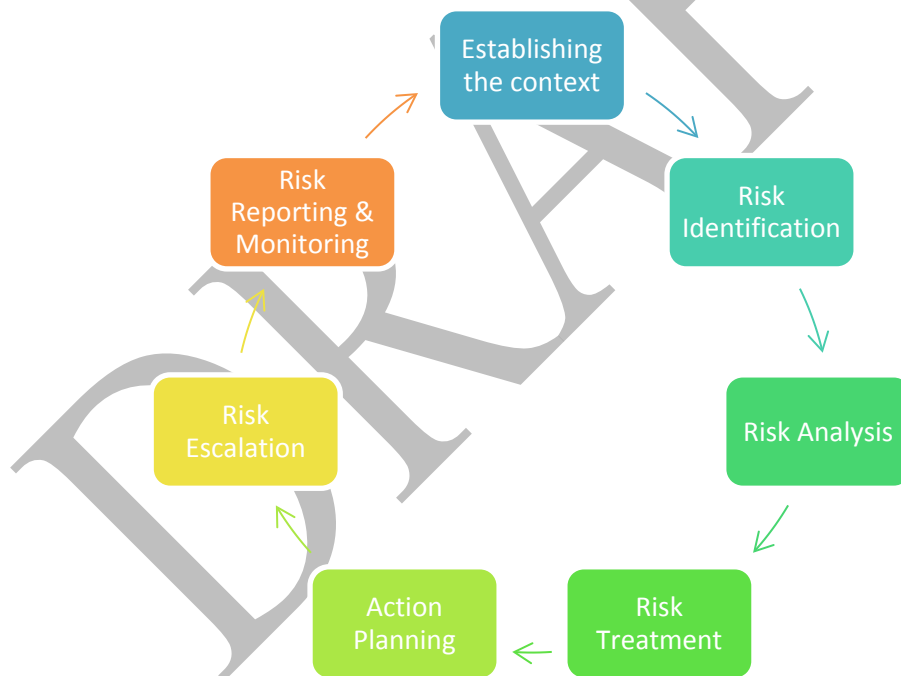
5. The Risk Management toolkit

5.1. Introduction

The Risk Management Process outlined within this Toolkit should be used as a guide to best practice in managing risks which could impact strategic priorities, operational activities (e.g. delivery of actions identified in service plans) and delivery of projects or programmes.

Risk management activity will happen at different levels within the organisation and for different purposes. You are identifying the risks that may affect the delivery of these objectives. A risk is where there is uncertainty of the outcome which may have a positive or negative effect on the achievement of the desired outcome, e.g. the objective.

South Somerset District Council's risk management process consists of seven steps:



A step-by-step guide follows to enable you to understand the risk management process.

Further advice and assistance on risk management is available from Strategy and Commissioning Team.

5.2. Establishing the context

The starting point for risk management is to ensure that there is a clear understanding and agreement on the objectives for the subject on which the risk assessment is being undertaken (i.e. the organisation and the overarching corporate objectives, a particular service and local objectives, etc.). In this regard, risks are managed across the following levels within the organisation:

- “Project” risk registers, developed for projects, initiatives and significant areas of work. Covers risks from initial business case stage throughout the project lifecycle.
- Category registers which will capture corporate risks as well as provide oversight of all project risks coded to a specific category
- Strategic Risk register which records the significant long term risks facing the authority which could impact on achievement of its corporate objectives.

5.3. Risk Identification

Risks should be identified that may affect the Council’s ability to achieve its business objectives, execute its strategies successfully or limit its ability to exploit opportunities.

Risks can be identified through a number of methods, including:

- A ‘brainstorming’ session or workshop with the whole management team and relevant stakeholders
- Interviews or questionnaires with key stakeholders
- Meetings with smaller groups of people

There are a wide range of methods available that can be used to identify and understand risks. The method that you select will depend upon the type of risk(s) that you are dealing with but typically a management team workshop is the method most commonly used.

Additionally, existing sources of information could help inform this stage. Some examples are listed below:

- Service / corporate plans, strategies and objectives
- Existing risk registers
- Risks or issues raised by internal audit or any other external scrutiny body
- Risks identified through budget setting processes
- Health & safety risk assessments
- Business continuity risk assessments
- Partnership, programme or project documentation (e.g. business case or project risk register)
- Experience of those participating in the risk identification process

It is the responsibility of those identifying risks to decide which sources of information they should consult. This may be one or more of the sources listed above or it could be something else you think is appropriate.

It is crucial for risks to be defined properly at this stage. Failure to do so can result in confusion about the exact nature of the risk, ineffective risk controls being implemented, or the risk analysis being over or underestimated.

As well as direct risks to the achievement of our objectives it is important to think as broadly as possible about uncertainties that may have an impact on the organisation. The diagram shown below illustrates a variety of different risk themes, expanding on PESTLE prompts, which the organisation could face. Think also in terms of these themes when identifying risks.



Once identified, the risks need to be described in sufficient detail and recorded in a consistent format to support effective decision making on the way that the risk is managed. The description of the risk should include the following elements:

- Risk Title – a short and concise header for the risk
- Description – expanding on the risk title (if required) outlining the situation or event, that exposes us to a risk.
- Risk Cause - The trigger event - Include the event that could or has occurred that results in a negative impact on the objectives being achieved
- Risk Effect - the likely consequences if the risk materialises (The negative impact, How big? How bad? How much? - consider worst likely scenario)

When describing a risk try not to describe the impact of the risk as the risk itself or define risks with statement which are simply the converse of the objectives.

5.4. Risk Analysis

Once risks have been identified the risk matrix is the main tool for prioritising each risk so we can establish which risks are most significant and therefore are in need of greater attention, effort and resources. It also allows us to compare different types of risk with each other across the council.

Each risk should be analysed for the likelihood it will happen and the impact if it did happen. An assessment should be made both before and after considering controls that are already in place and working effectively – this is referred to as ‘inherent’ and ‘residual’ risk respectively. It is management’s responsibility to ensure the controls they believe are reducing the risk are effective and are working in practice. Controls that are not yet in place should not be considered at this stage, no matter how soon they will be implemented.

The impact should be considered against the relevant objectives – Strategic and category risks should be scored against impact on the organisations objectives; project or programme risks scored against the objectives of the project.

Each identified risk should be plotted onto the risk matrix once the likelihood and impact score has been agreed among the relevant management team.

I M P A C T	Catastrophic	17	22	23	24	25
	Significant	12	18	19	20	21
	Moderate	6	13	14	15	16
	Limited	2	8	9	10	11
	Minimal	1	3	4	5	7
		Remote	Unlikely	Possible	Probable	Certain
		LIKELIHOOD				

When considering the likelihood of a risk happening you should select the number from 1 to 5 from the risk matrix that you think it will be over the next 12 months (it can be longer or shorter; some risks in the Strategic Risk Register are better considered over 3 to 5 years, some operational risks will be considered over 3 to 6 months). This score will require an element of judgement when considering how likely an event is to occur and you should consider the following:

- *Has this event happened before in South Somerset? (How frequently?) Has this event happened elsewhere? (How frequently?)*

- *How likely is it that one or more of the causes/ triggers of the event will occur?*
- *Has anything happened recently that makes the event more or less likely to occur?*

What does the Risk Matrix score mean?

Overall Risk	Description
5 or less	A residual risk score of 5 or less is generally considered acceptable to the Council and will require no further action other than continued monitoring and good management practices and to ensure that the relevant controls are still operating effectively.
6 - 15	A residual risk score of 6 -15 is likely to require the implementation of additional controls/action to be taken. This depends on the nature of the risk and the potential cost/benefit of reducing the level of risk further.
17 – 25	A residual risk score of 17 or more requires the implementation of additional controls and a timely management action plan as this level of residual risk is unacceptable to the Council.

The following table provides some support in quantifying the risk in terms of likelihood and impact.

Risk Likelihood Key				
Score - 1 Remote	Score – 2 Unlikely	Score – 3 Possible	Score - 4 Probable	Score – 5 Certain
Previous experience at this & other similar organisations makes this outcome highly unlikely to occur	Previous experience discounts this risk as being unlikely to occur but other organisations have experienced problems	The Council has in the past experienced problems in this area but not in the past three years	The Council has experienced problems in this area in the last three years.	The council is currently experiencing problems in this area or expects to within the next 12 months.
0-5% chance of occurrence	6-20% chance of occurrence	21-50% chance of occurrence	51-80% chance of occurrence	80%+ chance of occurrence

When you select the impact you should give consideration to the factors outlined in the risk matrix. For example, if the risk you are scoring has a low financial impact but a high impact on our reputation then you would select the most appropriate number between 1 and 5 that relates to the level of reputational impact. Once again, this score will have an element of judgement. The criteria for risk impact levels can be found on the next page.

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Risk Impact Key					
Risk Impact	Minimal	Limited	Moderate	Significant	Catastrophic
Project / programme delivery	No impact on the delivery of the projects Negligible impact on a strategic priority	Delay to project. One or more key variables (cost, time, quality, scope, benefits) are exceeded but remain within tolerance Minor impact on a strategic priority	Significant delay to high profile project, or failure to deliver target. One or more key variables (cost, time, quality, scope, benefits) are exceeded beyond tolerance requiring project board intervention. Project likely to be delivered but over-cost, late, below quality, under scope, or failing to deliver expected benefits Moderate impact on a strategic priority	Failure to deliver high profile target Major impact on a strategic priority	Failure to deliver a key council programme or multiple high profile targets Complete failure to deliver on a strategic priority
Financial	Less than £50,000	Between £50,000 and £250,000	Between £250,000 and £1,000,000	Between £1,000,000 and £5,000,000	More than £5,000,000
Delivery of Services	Council services are not disrupted	Short term disruption to Discretionary service	Statutory / Major element of service not provided for 1 day, Discretionary / minor element not provided for up to 1 week	Statutory / Major element of service not provided for up to 1 week, Discretionary / minor element not provided for 1 week or more	Longer term (Greater than 1 week) disruption to major service element Discretionary / minor element withdrawn
Staffing / Capacity	No impact on staff turnover, limited impact on staff morale	Damage to staff morale, minor increase in staff turnover	Staff dissatisfaction, increase in staff turnover	Major staff dissatisfaction, short term strike action, staff turnover including key personnel	Major staff dissatisfaction, long term strike action, significant key staff turnover
Reputation	Little or no adverse local public opinion or media attention	Short term adverse local public opinion	Adverse local publicity / local public opinion	Persistent adverse local media coverage	Persistent adverse national / International media coverage
Health & Safety (& Environmental)	No health and safety implications	Minor injury, short term, sickness less than 3 days. Requirement for self-certification.	Serious injury or extensive minor injury, semi-permanent, sickness more than 3 days. Illness or injury requiring Fit/Sick note – from 7 (calendar days)	Extensive serious injury, permanent injury or harm, long term sickness over 4 weeks. All incidents falling within RIDDOR reportable categories	Death of staff / public.
Governance & Legal	Governance generally effective Undertaking illegal practice or non-compliance with statute leading to negligible financial penalties and/or minor complaints or rumors.	Some elements of governance framework ineffective Undertaking illegal practice or non-compliance with statute leading to minor financial penalties and/or short term reputational damage.	Some elements of governance framework criticised by external body Undertaking illegal practice or non-compliance with statute leading to moderate financial penalties and/or medium term reputational damage	Criticism of all governance arrangements by external body. Undertaking illegal practice or non-compliance with statute leading to major financial penalties and/or medium term reputational damage	Ineffective governance arrangements Undertaking illegal practice or non-compliance with statute leading to catastrophic financial penalties and/or long term international or national reputational damage

5.5. Risk Treatment

Once risks have been identified and scored based on current controls the next step is to decide what action should be taken to manage or treat them. There are four general approaches to treating risk: Treat, Tolerate, Terminate or Transfer.

Action	Description	Options
Treat	Controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur	Reducing the likelihood of the risk occurring AND / OR Mitigating the impact if the risk does occur
Tolerate	Acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.	The ability to take effective action against some risks may be limited or the cost of taking action may be disproportionate to the potential benefits gained in which case the risk is accepted on an “informed” basis.
Terminate	Not undertaking the activity that is likely to trigger the risk	Changing the direction or strategy and revisiting objectives or improving channels of communication Obtaining further information from external sources or acquiring expertise Reducing the scope of the activity or adopting a familiar, proven approach Deciding not to undertake the activity likely to trigger the risk
Transfer	Handing the risk on elsewhere, either totally or in part – e.g. through insurance.	Financial instruments such as insurance, performance bonds, warranties or guarantee. Renegotiation of contract conditions for the risk to be retained by the other party. Seeking agreement on sharing the risk with the other party. Sub-contracting risk to a consultant or external suppliers. NB. It may not be possible to transfer all aspects of a risk. For example, where there is or reputational damage to the organisation.

A further consideration is whether to ‘Embrace’ the risk, which could be appropriate in order to take advantage of opportunity risks. Where risks are embraced relevant safeguards need to be considered and implemented.

Assessment of each treatment option is used to provide the basis for selecting the best option to manage each risk identified. Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

The efficiency of the risk treatment relates to the cost effectiveness of the proposed actions to be taken. Firstly the cost of implementation has to be considered (time, manpower, budget, etc). The impact expected if no action is taken, should be weighed against the cost of action and the reduction of the impact. There should be a direct benefit from the cost implementation in terms of the reduction of the level of the risk.

5.6. Resourcing controls and action planning

Risk can be managed by taking action to reduce the likelihood, reduce the impact or to limit damage and/or financial loss if the risk materialises.

Action plans should be put in place to reduce residual risk to an acceptable level within an agreed and acceptable timeframe. Where these actions are significant, they will need resourcing and may need to be incorporated into the Council's annual budget, business planning and performance monitoring processes.

5.7. Risk escalation

The risk escalation process allows for risks to be escalated and/or downgraded between the different levels of the Council as deemed appropriate, depending upon the status of the risk factor at any specific time.

If a service or risk owner wishes to escalate or propose a new strategic risk, they should raise this with their Directorate Leadership Team who will engage with the Head of Audit and Risk to take this forward as part of the Corporate Leadership Team review and reporting cycles.

If a service wishes to urgently escalate a risk, this should be raised with the Chief Executive through the relevant Strategic Director. The Head of Audit and Risk should also be informed for reporting purposes.

Operational risks should be escalated through the relevant management and governance structures.

Note: If this results in a change of risk owner, the potential new risk owner must be contacted for handover. If a risk is multi service or organisation wide the risk owner should consult with other relevant stakeholders before recommending a change of level.

A risk may need to be escalated to a higher level if:

- the risk becomes too unwieldy to manage at the current level
- the risk rating cannot be controlled/contained within its current level
- the risk remains very high even after mitigations are implemented
- the risk will impact on more than one service/project or function if the risk event materialises
- the risk moves outside the appetite boundaries / comfort zone.

A risk may need to be moved to a lower level if:

- the risk can be controlled / managed at a lower level
- the risk rating decreases significantly
- the risk event will only affect one function / service area / team and the impact will be limited then this should be controlled more locally at a lower level.

5.8. Risk Reporting and Monitoring

Strategic risks are generally long-term in nature and are monitored through the Council's Strategic Risk Register. This is reviewed on a quarterly basis by SLT, and revised annually through a joint SLT / LMT workshop.

Category risks registers are managed by appropriate personnel at LMT or SLT level through category risk registers that contain information in relation to any service, project or programme risks impacting on that category area. Respective management teams are responsible for ensuring that their risks are identified and managed appropriately. The Strategy & Commissioning risk lead will schedule and facilitate these reviews.

Project Risk registers will be reviewed in accordance with the agreed project governance arrangements.

Each risk register contains:

- The risk description, causes and consequences
- An identified risk owner
- Controls in place to mitigate the risk
- Risk scores based on likelihood and impact
- An action plan to bring the level of risk to its acceptable level.

Required risk action planning should be proportionate to the significance of the risk.

Risk should be regularly considered and reported on alongside financial and performance information consistent with the Council's performance management framework.

Annually, the Audit Committee will receive a report on the authority's Risk Management arrangements together with an up to date risk matrix and Strategic Risk Register.

A thorough review of each risk register should occur annually as part of the annual business planning processes and departmental risk registers should be reported to the senior management team thereafter.

The Councils Audit partner (SWAP) is responsible for undertaking an annual review of the risk management framework and provides assurance on its effectiveness.

Agenda Item 7

Local Code of Corporate Governance

Director Netta Meadow, Director – Strategy and Support Services
Lead Officer: Paul Fitzgerald, S151 Officer
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Purpose of the Report

1. To present a new Local Code of Corporate Governance for South Somerset District Council for review and approval.

Recommendations

2. Audit Committee:
 - (a) Approves the new Local Code of Corporate Governance.
 - (b) Agrees delegated authority to the S151 Officer to make minor changes to the Code such as revisions to job titles or key document names.

Introduction

3. The Council's current Local Code of Corporate Governance was approved in 2013.
4. CIPFA and SOLACE¹ issued an updated Delivering Good Governance in Local Government Framework, and supporting Guidance Notes, in 2016. In the Framework's introduction it acknowledges that local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
5. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
6. The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
 - reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
7. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore

¹ CIPFA is the Chartered Institute of Public Finance and Accountancy; and SOLACE is the Society of Local Authority Chief Executives and Senior Managers

develop and maintain a local code of governance/governance arrangements reflecting the principles set out. This report therefore includes an updated Local Code for SSDC, for review and approval by the Audit Committee.

8. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.
9. The new Local Code for SSDC incorporates the principles of good governance defined in the Framework, as these are regarded as entirely relevant and appropriate for this Council:
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable, economic, social and environmental benefits
 - Determining the interventions necessary to optimize the achievement of the intended outcomes
 - Developing the Council's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit, to deliver accountability
10. The Local Code also identifies a wide variety of ways through which the Council seeks to demonstrate its commitment to these principles.
11. At the end of the financial year the Council must produce an Annual Governance Statement (AGS), which will include evidence of how it is meeting the Code and its internal controls and processes. The AGS is presented to the Audit Committee for approval alongside the Statement of Accounts each year, and the Committee also monitors agreed action plans arising from the reviews undertaken.
12. The Local Code once approved will be shared with all Councillors, who will also be able to feed into future reviews and assessments.

Financial Implications

13. There are no financial implications arising from this report.

South Somerset District Council

Local Code of Corporate Governance

1. Delivering Good Governance

- 1.1 The Delivering Good Governance in Local Government Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that :
- Resources are directed in accordance with agreed policy and according to priorities
 - There is sound and inclusive decision making
 - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 1.2 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.
- 1.4 The Delivering Good Governance in Local Government Framework sets out seven core principles of governance as detailed in the diagram below. South Somerset District Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of this document - the Council's Local Code of Corporate Governance.
- 1.5 Our Code is underpinned by the Delivering Good Governance in Local Government Framework and comprises policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas, and how the Council provides assurance that it is complying with these, are set out in more detail within its Governance Assurance Framework.

- 1.6 The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects councillors and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

2. Principles of Good Governance

- 2.1 The principles of good governance describe the outcomes this Code is attempting to deliver, and reflect those set out in the Framework:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

- 2.2 Further information that describes how South Somerset District Council demonstrates these principles is set out alongside each of the principles.

3. Status

- 3.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. This is known as an Annual Governance Statement.
- 3.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government Framework (2016) and this section of the Code.

4. Monitoring and Review

- 4.1 The Council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. This process of review to produce the Annual Governance Statement sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance detailed in this Code.
- 4.2 On an annual basis, the Chief Executive and Leader of the Council will therefore publish an Annual Governance Statement which will:
- assess how the Council has complied with this Local Code of Corporate Governance
 - provide an opinion on the effectiveness of the Council's arrangements
 - provide details of how continual improvement in the systems of governance will be achieved

5. Certification

- 5.1 We hereby endorse our commitment to this Local Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

Cllr Val Keitch
Leader of the Council

Alex Parmley
Chief Executive

Statement of Principles of Good Governance

Principles, Behaviours and Actions

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

SSDC is committed to achieving good governance and will:

The Council's commitment to achieving good governance in practice is demonstrated by the following:

1.1 Behaving with integrity

- Ensure members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council.
- Ensure members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).
- Lead by example using the above standard operating principles or values as a framework for decision making and other actions.
- Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are

- Members Code of Conduct
- Officers Code of Conduct
- Register of Interests
- Policy and procedure for declaration of Gifts & Hospitality
- Constitution
- Public access to meetings and minutes
- Role of Audit and Standards Committees
- Member Training and Induction programme
- Government guidelines for politically restricted posts
- Financial Procedures
- Procurement and Contract Rules
- Freedom of Information
- Attitudes and Approaches framework
- Whistleblowing policy/procedure
- Anti-Bribery Policy
- Anti-Fraud Strategy
- Complaints Policy

Principles, Behaviours and Actions

	reviewed on a regular basis to ensure that they are operating effectively.	<ul style="list-style-type: none"> Grievance Policy
1.2 Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council's ethical standards and performance. Underpin personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation. Develop and maintain robust policies and procedures which place emphasis on agreed ethical values. Ensure that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the Council. 	<ul style="list-style-type: none"> Members code of conduct Officers code of conduct Audit and Standards Committees Constitution Scheme of delegation Member training & induction programme Arrangements for contracts and service level agreements
1.3 Respecting the rule of law	<ul style="list-style-type: none"> Ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. Create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. Deal with breaches of legal and regulatory provisions effectively. 	<ul style="list-style-type: none"> Constitution S151, Monitoring Officer and Legal Specialists advice Recruitment and selection procedures Members code of conduct Officers code of conduct Audit and Standards Committees Process for Gifts & Hospitality Recruitment and Selection guidelines Enforcement policies Employee training Monitoring Officer provisions and record of legal advice provided by officers

Principles, Behaviours and Actions

- Ensure corruption and misuse of power are dealt with effectively.

- Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government
- Whistleblowing policy

Principle 2 – Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

SSDC is committed to achieving good governance and will:**The Council's commitment to achieving good governance in practice is demonstrated by the following:****2.1 Openness**

- Ensure an open culture through demonstrating, documenting and communicating the Council's commitment to openness.
- Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
- Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due

- Council Plan
- Record of public consultations
- Minutes and reports of Council Committees on website
- Records of decision making and supporting materials
- Standard format for Committee reports
- Committee work programmes
- Statement of Accounts
- Whistleblowing policy
- Annual Governance Statement
- Local Government Transparency Code
- Attitudes & Approaches Framework (ref Open and Challenging)

Principles, Behaviours and Actions

	<p>course, ensuring that the impact and consequences of those decisions are clear.</p> <ul style="list-style-type: none"> ▪ Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action. 	
2.2 Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> ▪ Engage effectively with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably ▪ Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. ▪ Ensure that partnerships are based on <ul style="list-style-type: none"> – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> • Council Plan • Work programme of the Strategy & Commissioning team • Frameworks / toolkits for procurement and contracts management • Partnership and grant / service level agreement agreements
2.3 Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> ▪ Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. 	<ul style="list-style-type: none"> • Council Plan • Work programme of the Strategy & Commissioning team – evidence base for policy and strategy development • Scrutiny Committee work programme • Constitution • Committee Reporting Template • Complaints policy and monitoring

Principles, Behaviours and Actions

	<ul style="list-style-type: none"> ▪ Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. ▪ Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. ▪ Implement effective feedback mechanisms in order to demonstrate how views have been taken into account. ▪ Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ▪ Take account of the impact of decisions on future generations of tax payers and service users. 	<ul style="list-style-type: none"> • Statement of Community Involvement (for land use and spatial planning) • Impact assessments
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Principle 3 – Defining outcomes in terms of sustainable, economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

SSDC is committed to achieving good governance and will:		The Council's commitment to achieving good governance in practice is demonstrated by the following:
3.1 Defining outcomes	<ul style="list-style-type: none"> ▪ Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance 	<ul style="list-style-type: none"> • Council Vision and Goals, Annual Action Plan and key strategies • Performance Framework

Principles, Behaviours and Actions

	<p>indicators, which provide the basis for the Council's overall strategy, planning and other decisions.</p> <ul style="list-style-type: none"> ▪ Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. ▪ Deliver defined outcomes on a sustainable basis within the resources that will be available. ▪ Identify and manage risks to the achievement of outcomes. ▪ Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> • Work programme of the Strategy & Commissioning team • Risk Framework • Equality and Privacy Impact Assessments • Communications and engagement with residents, businesses and communities
3.2 Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ▪ Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. ▪ Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints. ▪ Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation 	<ul style="list-style-type: none"> • Council Plan • Communities of Practice • Budget Monitoring reports • Annual Governance Statement • Record of public consultations • Reports and minutes available on the website • Equality Impact Assessments • Procurement rules including social value

Principles, Behaviours and Actions

where possible, in order to ensure appropriate trade-offs.

- Ensure fair access to services.

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

SSDC is committed to achieving good governance and will:

The Council's commitment to achieving good governance in practice is demonstrated by the following:

4.1 Determining interventions

- Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and the associated risks. Therefore ensuring best value is achieved however services are provided.
- Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

- Strategic planning cycle to determine the Council Plan and priority projects
- Council reports, and underlying Business Case where appropriate, required to outline options considered and inherent risks
- Financial Strategy
- Complaints and customer feedback, use of data and business intelligence
- Equality Impact Assessments
- Disposals policy for property assets

4.2 Planning interventions

- Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets.

- Council Plan and strategic planning & performance cycle
- Performance Framework

Principles, Behaviours and Actions

	<ul style="list-style-type: none"> ▪ Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. ▪ Consider and monitor risks facing each partner when working collaboratively, including shared risks. ▪ Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. ▪ Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. ▪ Ensure capacity exists to generate the information required to review service quality regularly. ▪ Prepare budgets in accordance with objectives, strategies and the medium term financial plan. ▪ Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Audit Plan • Forward Plan • Risk Management Framework • Constitution • Schedule of meetings • Financial Strategy and Medium Term Financial Plan • Financial Procedures • Procurement Rules • Consultation and involvement by stakeholders and service users
4.3 Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ▪ Ensure the medium term financial plan integrates and balances service priorities, affordability and other resource constraints. ▪ Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. 	<ul style="list-style-type: none"> • Council Plan • Medium Term Financial Plan and cycle of planning and monitoring • Work programme of the Strategy & Commissioning team • Constitution • Financial Procedures

Principles, Behaviours and Actions

- Ensure the medium term financial plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
- Ensure the achievement of 'social value' through service planning and commissioning.

- Contract Standing Orders
- Role of the Project Management Office
- Incorporating social value to contracts and procurement

Principle 5 – Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

SSDC is committed to achieving good governance and will:

The Council's commitment to achieving good governance in practice is demonstrated by the following:

5.1 Developing the Council's capacity

- Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.
- Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.

- Council Plan
- Performance Framework
- Work programme of relevant Specialists (Strategy, Property, Finance, People, OD etc)
- People Strategy and design principles for new operating model
- Contracts, procurement and risk management
- Partnership Agreements and ways of working

Principles, Behaviours and Actions

	<ul style="list-style-type: none"> ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved. ▪ Develop and maintaining an effective workforce plan to enhance the strategic allocation of resources. 	
5.2 Developing the capability of the Council's leadership and other individuals	<ul style="list-style-type: none"> ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. ▪ Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. ▪ Develop the capabilities of members and senior management to achieve effective leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks and: 	<ul style="list-style-type: none"> • Council Plan and Performance Framework • Constitution • Scheme of Delegation • Officer-Member code of conduct • Member Training and Development Programme • Audit and Standards Committees • Corporate Induction for staff and members • Attitudes and Approaches Framework eg focus on feedback and learning, coaching and mentoring • Learning and Development for all employees, through Individual Performance and Development Plans • Role profiles • Role of People Manager • Investment in wellbeing – management mental health, growing a coaching culture, social and physical activity programmes • Internal Audit Reports • External Audit Reports • Arrangements for public participation, Public question time Area Committees, social media platforms, PR and marketing activity

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- ensure members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensure members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensure personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensure that there are structures in place to encourage public participation.
- Take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
- Hold staff to account through regular performance reviews which take account of training or development needs.
- Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support

Principles, Behaviours and Actions

individuals in maintaining their own physical and mental wellbeing.

Principle 6 – Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

SSDC is committed to achieving good governance and will:

The Council's commitment to achieving good governance in practice is demonstrated by the following:

6.1 Managing risk

- Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implement robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensure that responsibilities for managing individual risks are clearly allocated.

- Risk framework
- Decision making – risk matrix
- Members Code of Conduct
- Register and declaration of Interests
- Officer Code of Conduct
- Audit and Standards Committee
- One Team learning programmes

6.2 Managing performance

- Monitor service delivery effectively including planning, specification, execution and independent post implementation review.

- Council Plan
- Report template for executive decisions
- Performance Framework (Communities of Practice, Delivery Plans, Individual work plans)
- Performance reporting

Principles, Behaviours and Actions

	<ul style="list-style-type: none"> ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook. ▪ Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible. ▪ Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> • Complaints Policy • Committee work programmes and reports • Scrutiny Committee work programme • Public access to meetings and minutes • Publication of agenda and accompanying papers • Self-Assessment of the Audit Committee • Budget Monitoring Reports • Constitution • End of year performance reports and Statement of Accounts • Role of the Project Management Office • Contract management • Role of the People Managers • Risk Management Policy • Budget and Policy Framework • Scheme of delegation • Financial Procedures
6.3 Robust internal control	<ul style="list-style-type: none"> ▪ Align the risk management strategy and policies on internal control with achieving objectives. ▪ Evaluating and monitoring risk management and internal control on a regular basis. ▪ Ensuring effective counter fraud and anti-corruption arrangements are in place. ▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 	<ul style="list-style-type: none"> • Code of Corporate Governance • Annual Governance Statement • Internal Audit Plan • Internal Audit reports • Internal Audit progress reports to Audit, Governance and Standards Committee • Role of the Audit and Standards Committees • Internal Auditors Annual Report and opinion • Risk Management framework • Anti-Fraud Strategy • Self-Assessment of the Audit Committee • Corporate Governance Group

Principles, Behaviours and Actions		
	<ul style="list-style-type: none"> Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> Training for Audit and Standards Committee members
6.4 Managing data	<ul style="list-style-type: none"> Ensure effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data. Ensure effective arrangements are in place and operating effectively when sharing data with other bodies. Review and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. 	<ul style="list-style-type: none"> General Data Protection Regulations training for officers and Members Arrangements for compliance with GDPR / Privacy Impact Assessments (e.g. register of Information Assets, retention schedules) Information Management principles
6.5 Strong public financial management	<ul style="list-style-type: none"> Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance. Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> Financial and Commercial strategies Medium Term Financial Plan Budget Monitoring Financial Procedures Procurement rules Statement of Accounts Internal and External Audit
Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability		

Principles, Behaviours and Actions

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

SSDC is committed to achieving good governance and will:

The Council's commitment to achieving good governance in practice is demonstrated by the following:

7.1 Implementing good practice in transparency

- Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

- Register of Interests
- Declarations of Interest recorded in Committee Minutes
- Role of the Scrutiny Committee
- Role of the Audit and Standards Committee
- Public access to meetings and minutes
- Public access to agendas and reports
- Performance and Finance reports
- Complaints Procedure
- Local Government Transparency Code – publication of data
- Freedom of Information

7.2 Implementing good practices in reporting

- Report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.
- Ensure members and senior management own the results reported.
- Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the

- Council Plan
- Performance framework – quarterly and annual performance and financials monitoring
- Statement of Accounts
- Annual Governance Statement and review process including the Code of Corporate Governance
- Mod.gov system

Principles, Behaviours and Actions

	<p>results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).</p> <ul style="list-style-type: none"> ▪ Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate. ▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	<ul style="list-style-type: none"> • Delegated Portfolio Holder decision making template • Using results of Maturity Assessment
7.3 Assurance and effective accountability	<ul style="list-style-type: none"> ▪ Ensure that recommendations for corrective action made by external audit are acted upon. ▪ Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. ▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. ▪ Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. ▪ Ensure that when working in partnership, arrangements for accountability are clear and the 	<ul style="list-style-type: none"> • Internal Audit Annual Plan • Internal Audit Reports • Internal Audit Annual Report • Internal Audit progress reports to the Audit Committee • Internal tracking of audit actions • Compliance with the Public Sector Internal Audit Standards • External Auditor Reports • Annual Governance Statement

Principles, Behaviours and Actions		
	need for wider public accountability has been recognised and met.	

Version Control

Version	Prepared/Reviewed By	Date	Approved By	Date
2019 V1	Paul Fitzgerald, S151 Officer	April 2019		
2019 v2	Charlotte Jones	Oct 19		

Agenda Item 8

Audit Committee Forward Plan

Lead Officer: Becky Sanders, Case Officer
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Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: None

Audit Committee Forward Plan

Meeting Date	Item	Responsible Officer
23 Jan 20	Internal Audit Plan Progress Q3	Alastair Woodland (SWAP)
	Treasury Management Strategy Statement 20/21 (needs to go on to Full Council)	Finance Specialist
	Annual Fraud Programme Update	Legal Specialist
	External Audit – Certification of Housing benefit Subsidy Claim	Finance Specialist (GT)
26 Mar 20	Internal Audit Plan 2020/21 - approve 2020/21 plan	Alastair Woodland (SWAP)
	Internal Audit – Charter	Alastair Woodland (SWAP)
	External Audit Plan for 2019/20 Accounts	Finance Specialist (GT)
	External Audit Progress Report 2019/20 Accounts	Finance Specialist (GT)
	Annual Fraud Programme Update	Legal Specialist
	Health and Safety Update Report	Director (Strategy & Support Services)
	Civil Contingency update	Director (Strategy & Support Services)
	Whistleblowing update	Director (Strategy & Support Services)