

DRAFT Annual Governance Statement (2018/19)

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

Responsibility

We are responsible for making sure that we:

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

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

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

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". For a local authority in England this requires the statement to be in accordance with *Delivering Good Governance in Local Government: Framework (2016)* and the *CIPFA Code of Practice on Local Authority Accounting for 2018/2019*. In preparing and publishing this Statement, we therefore meet these statutory requirements. Somerset County Council has an agreed local code of corporate governance. (A copy of these documents can be obtained from, Lizzie Watkin, Strategic Finance Manager at ewatkin@somerset.gov.uk)

Defining governance and the local governance framework

The Framework defines governance as follows: -

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

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

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

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

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

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

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

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

Unless stated below, the governance framework has been in place at Somerset County Council for the whole of the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts. The County Council continually seeks to improve its governance arrangements, and evidence of continued “best practice” is found within the governance reviews referred to below.

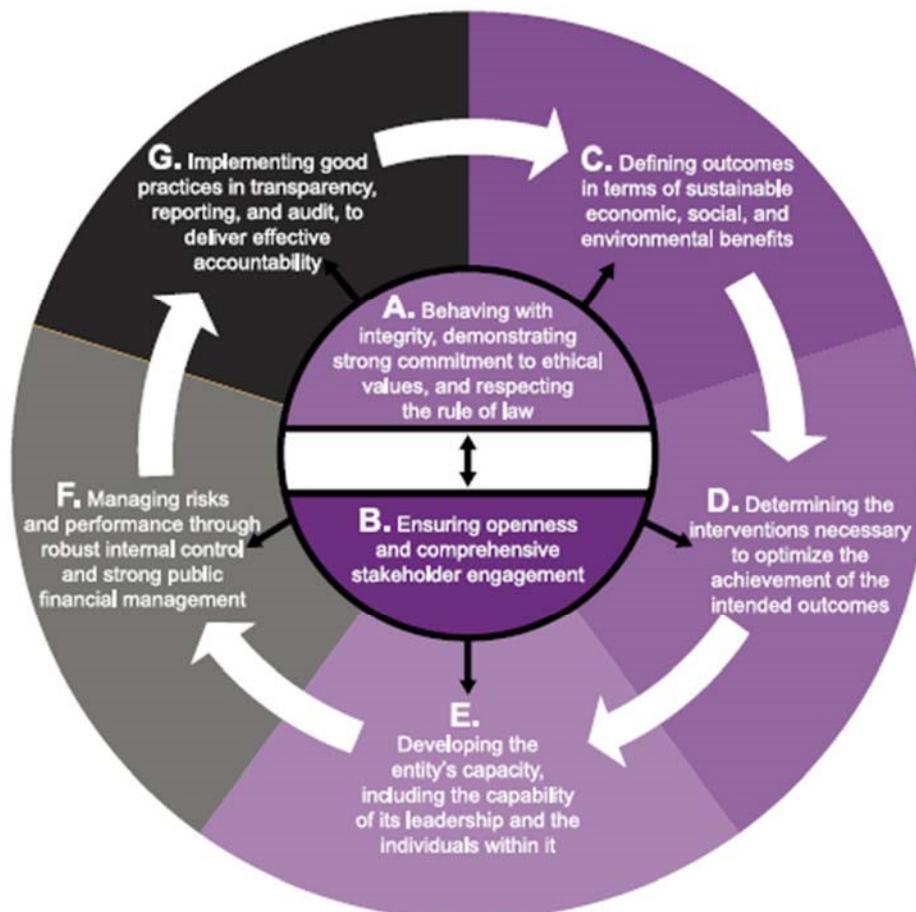
Review of our governance framework

Delivering Good Governance in Local Government: Framework (2016) was an update to the previous 2007 publication, and 2018/2019 is the third financial year for which this framework applies. Whilst there is some clear correlation with the principles set out in the 2007 publication, the new Framework did require the Governance Board to carry out a very full review based on the 7 new principles and numerous sub-principles and actions last year, and to consider the level of Somerset County Council's compliance for each. The Framework offers examples of evidence that could be used in demonstrating compliance.

Subsequent to the review for the 2017/18 accounts, for 2018/19 key officers have considered their responses to the principles outlined below, and either confirmed that these are still in place or have provided an updated position.

There is a substantial amount of documentation and links which underpin this review and the information contained within this statement, which can be obtained from Lizzie Watkin at ewatkin@somerset.gov.uk

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



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

Behaving with integrity

Somerset County Council has both a Members Code of Conduct and an Officers Standards of Conduct, which the respective individuals are required to adhere to in their respective roles. Whilst the Members Code of Conduct has been published in the Councils Constitution for many years to improve transparency, there is an intention to strengthen transparency and assurance by developing an Officers' Code of Conduct for future inclusion in the Constitution.

All members of the County Council are obliged to sign an "acceptance of office", and postelection they have a full induction and training programme, including the Members Code of Conduct. However, in between these full induction periods, further training sessions are tailored for members on specific topics, e.g. finance, the council's strategic priorities etc. as required. The Council's Monitoring Officer oversees member induction and support services for elected members and specific objectives are set out in a Member Development Strategy. The Council has a Member Development Panel which has cross party membership and works with officers on improving support for elected members which includes training and other activities to support the Code of Conduct. The County Council also runs a "buddy" system, whereby each new member is allocated a senior officer as a point of contact for any questions or concerns that they might have, such arrangements lasting until the member is established.

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

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

All relevant HR policies are in place and made available from the intranet homepage. These include a formal disciplinary procedure; a Whistleblowing Policy; an Equalities Policy; a Data Protection Policy; anti-fraud, corruption, bribery and money laundering policies. We maintain a register of interests and a register of gifts and hospitality for both members and staff. These registers were included as part of the Internal Audit Plan for 2018/19 and reasonable assurance was given.

Demonstrating strong commitment to ethical values

The Council operates a Constitution and Standards Committee, created by the merger of the previously separate Constitution and Standards Committees in May 2017. Under the Constitution, this Committee "has responsibility for promoting high standards of conduct by Members, Co-opted Members and Officers and for the policies and processes which support this aim". This Committee meets at least quarterly, and reports into Full Council at least annually and more often should the need arise. During 2018/2019, this Committee considered and approved (amongst other items) new rules to strengthen standards for councillors, and issues around Access to Information and the Constitutional Provisions.

The Code of Conduct for Members and Co-opted Members set out in Part 2 of our Constitution makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council require declarations of interest from committee members as a standing item, and meetings are both minuted and recorded. There is also a member complaints policy which is overseen and administered by the Council's Monitoring Officer.

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

Respecting the rule of law

The Council's Constitution sets out our legal requirements around decision making and other constitutional arrangements, and there is significant guidance on the intranet to guide officers in ensuring that Decisions are taken by the appropriate committee, member or officer under the Scheme of Delegation. The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged. Key member roles and responsibilities are set out in the Constitution, and statutory officer posts (with appropriate Job Descriptions) are an integral part of the Council's structure.

Since 2002 the County Council's Constitution has been regularly and consistently (by the Council's Monitoring Officer and by elected members through the appropriate committee [currently the Constitution and Standards Committee], as appropriate). The Constitution is published on the County Council's website and is also available for inspection at the Council's offices. The Monitoring Officer undertakes an annual review of the Constitution and makes any recommendations for changes to the Annual General Meeting of the Council in May. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance framework, policies and systems, the Healthy Organisation Internal Audit report, and by comments made by the external auditors and other review agencies and inspectorates. In addition, individual parts of the Constitution are reviewed and updated on an as and when required basis (for example following legislative change) to ensure that the contents are as up to date as possible.

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

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

All contracts must be let in accordance with SCC's Contract Standing Orders (CSOs), and with the guidance of specialist procurement and legal services officers to comply with the legal requirements such as the EU procurement regulations. The CSO's are reviewed and updated at least annually, maintaining their relevant and effectiveness, including ensuring spending thresholds reflect current authorisation levels.

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

Ensuring openness and comprehensive stakeholder engagement

Openness

The Council's Constitution states that a key principle for decision-making in Somerset County Council is a presumption in favour of openness. It also details the Access to Information requirements in relation to agendas, meetings, report minutes, summary of outcomes and decision records. All Committee meetings are held in public session, with Public Question Time, unless there is an overriding need for confidentiality, which would be strictly in accordance with the appropriate regulations. The public are permitted to record our meetings, and we also keep an audio record of proceedings. The Access to Information requirements were reviewed by the Constitution and Standards Committee during the financial year and updated at the Council meeting in May 2018. These were further reviewed at the Council meeting in May 2019.

The Council's Key Decisions are all publicly recorded, and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. Cabinet forward plans are published well in advance, again in accordance with Access to information requirements. There is a dedicated intranet page that clearly directs officers and report writers to the detailed requirements to take decisions in accordance with the Constitution and Schemes of Delegation

A substantial amount of information on our and our partners' websites are provided automatically. The Council complies with the transparency requirements and go through an annual assurance process to confirm that this is the case. Spend information is published as required to do so under the regulations.

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

The Council publishes a Your Somerset newspaper delivered free to all homes in Somerset three times a year. This highlights key service changes and developments, success stories and shares information to help access services.

The Council continues to engage with partners, stakeholders and staff through a variety of media. Staff receive a link to a weekly online newsletter, Our Somerset, which includes all the latest news, events and signposts to useful corporate information. Managers also receive a monthly briefing through Core Brief, which they cascade to their staff and everyone has the opportunity to complete regular staff surveys, which are carried out three times a year.

Engaging comprehensively with institutional stakeholders

The Council has a strong record of consultation and engagement: there is a consultation website with suitable guidance and a dedicated consultation officer. In 2018/19 we have contributed to 58 consultations and external surveys with over 8,000 individuals engaged. We have also assisted with three internal staff surveys to the entire workforce. Some of the key consultation/engagement work carried out over the last year includes:

- Library Service Consultation.
- Extra Care Housing (Adult Social Care).
- Educational Psychologist Service
- Schools (Admissions and Term dates)
- Drugs and Alcohol Partnership Service Contract
- Sexual Health Services.

The Council has a Partnership Register that provides a list / record of all partnerships that the council is involved in, this is refreshed on an annual basis. Partnership Lifecycle Guidance is available and is also refreshed on an annual basis. The guidance highlights key points to consider at each stage of the partnership lifecycle and provides links to relevant internal and external guidance and best practice. There is also a Partnership Protocol, which summarises the position of Somerset County Council when working in partnership. It also sets out what is expected of Officers and Elected Members when they are involved in a partnership.

The Council has led a consortium of 19 local authorities and partner organisations to ask for more powers from Government. Devolution is important to the South West and Somerset will play a leading role. During 2017/2018, this progressed into becoming the Heart of the South West Joint Committee, established under Sections 101 to 103 of the

Local Government Act 1972. The key purpose of the Joint Committee is to be the vehicle through which the HotSW partners will ensure that the desired increase in productivity across the area is achieved. The Leader of Somerset County Council is the chair of the joint committee, which is working closely with the Local Enterprise Partnership (LEP) to develop the Local Industrial Strategy for the area. The Joint Committee and LEP geographies is co-terminus.

The partnership working with our health partners remains of critical importance in both service delivery and in shared financial efficiencies. The council has continued to engage fully with NHS partners to develop health and social care integration. The County's Chief Executive is the Senior Responsible Officer for the STP. The Council is also the lead authority for the Somerset Health and Wellbeing Board which has its own Constitution.

During 2018/2019, the County Council, along with our key partners on the Health and Wellbeing Board, adopted the Somerset Prevention Charter, recognising that getting prevention right is essential to the future sustainability of public services. The Prevention Charter provides a common understanding of prevention across many organisations. This work links significantly with both the County Plan and the Somerset Health and Wellbeing Strategy where the focus is on supporting people to live healthier lives. Prevention is a key strand of our transformation programme, Transforming SCC to Improve Lives. The Council undertakes an annual statutory Joint Strategic Needs Assessment (JNSA) which informs the Health and Wellbeing Strategy. Whilst focusing on young people, the implications affect all ages across all communities.

There is a quarterly Voluntary, Community and Social Enterprise (VCSE) Strategic Forum (complete with its own website) with senior staff from the County Council, District Councils, Clinical Commissioning Group, and other key county-wide services to enable an exchange of information and views for the benefit of Somerset's people. This includes an Annual Leaders Conference. In early 2017, along with key partners, we commissioned the first Somerset VCSE State of the Sector Report.

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

The Somerset Waste Partnership with all 4 Districts continues to run both waste disposal and waste collection services across the County. It has its own Joint Committee (the Somerset Waste Board), Constitution and Inter-Authority Agreement. It is still a trailblazer nationally and has provided substantial financial benefits to all partners and strong performance around areas such as recycling and food waste. Throughout 2018/19, the partnership has progressed a procurement process to award a new collection contract, which will facilitate the collection for recycling of a wider range of materials, which in turn will drive up the County's recycling rate. A new contract was awarded in May 2019 that takes effect from May 2020.

The Somerset Rivers Authority, a partnership of all the Councils in Somerset, the Environment Agency, Natural England and the Internal Drainage Boards was established following the extensive floods of 2014. The County Council hosts this partnership and has taken a leading role in securing funding and delivering projects to reduce flooding and mitigate its impacts.

During 2018, a sub-national transport board for the peninsula was established, Somerset County Council is working with Cornwall Council, Devon County Council, Plymouth Council and Torbay Council in respect of strategic transport issues and securing funding to address the areas transport needs.

The 2018 Corporate Peer Challenge Feedback Report received in April 2018 was extremely positive in the County Council's engagement with its partners, such as the HotSW LEP, and commented that this provided a "more effective foundation on which to improve outcomes" and that the County Council was "our partner of choice" from several external stakeholders.

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

Defining outcomes

A new County Vision was approved by Full Council in May 2018. Our County Council Vision is:

- A thriving and productive County that is ambitious, confident and focused on improving people's lives.
- A County of resilient, well-connected and compassionate communities working to reduce inequalities.
- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live.
- A County that provides you with right information, advice and guidance to help you help yourself and targets support to those who need it most.

Central to the Councils business is that everything the council does should be designed to help improve outcomes for residents. The County Vision identifies the need for the Council to work with partners, communities and businesses to find the best ways to achieve the outcomes that matter to them, align our work and resources and make use of all the levers available. Central to this is the need to always put customers at the heart of everything the council does.

Limited resources mean there is a need to be realistic about how much can be done. This means making difficult choices on where to focus resources so more can be done with less, and we can work with together with partners to do more. Key to this are robust financial, commissioning and decision-making processes, good quality data, good governance, performance management, effective technology and a willingness to do things differently.

The Council's Business Plan was originally approved by Cabinet in June 2018 (and updated at Full Council in May 2019). The Business Plan outlines how we will work with partners and communities to deliver the County Council's 'Vision for Somerset' in the most efficient way possible for Somerset's taxpayers.

The Business Plan contains four strategic outcomes that show what the Council will focus on to deliver its Vision and improve lives. Beneath each strategic outcome sits four key priorities and a range of activities. By lining up these activities, priorities and strategic outcomes with the Vision the authority can plan ahead and monitor progress.

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

The 2018 Corporate Peer Challenge "found a clear causal relationship between the council's priorities and the needs of the communities it serves".

There are various processes that necessarily in place in order to ensure that the council manage the change to services and to governance in an appropriate manner. This includes regularly reporting progress in public about how major transformational initiatives and other actions to improve services, are governed. Progress is regularly reported through the Performance reporting mechanism. Risk management work is reported quarterly, so that members are aware of the risks and mitigations to achieving our aims.

When the Council takes decisions, such as the Medium-Term Financial Plan (MTFP) approval, the council ensure that consultations have been carried out as well as individual equalities impact assessments and an overall cumulative equalities impact assessment.

Sustainable economic, social and environmental benefits

The Capital Programme regularly includes a number of investments that provide these benefits, such as a well-managed highways network, provision for the building of new schools, a substantial contribution to rural superfast broadband connectivity in the South West and a Business Growth Fund allocation.

Key Decisions taken by Cabinet in 2018/19 include the allocation of £9.98m of additional Department for Transport (DfT) grant towards enhancing the highway network, specific contract awards for the construction of a new carriage way at Colley Lane, unlocking enterprise space in Bridgwater and the upgrade of the M5 J25. In addition, a number of school builds were commissioned in 2018/19 which include; Hazelbrook special school linking with Selworthy school In Taunton, Bridgwater Bower Lane Special School, Taunton Nerrols primary school and Somerton King Ina primary. Full Council, in November 2018, approved new borrowing to purchase waste vehicles enabling the authority to achieve the best value for money from the contract with the private sector provider.

The Council continues its focus on Asset Rationalisation and Estate Optimisation, improving utilisation and creating more flexible multi-purpose spaces that recognise evolving requirements both for ourselves and others. Investment has been approved to undertake essential works to A Block, not only to bring the building up to the necessary specification, but with a view to making maximum use of the facility as we continue to look at property rationalisation. As part of this refreshed approach, all property assets are being reviewed to determine the business case for disposal, commercial use or strategic retention, on a case by case basis through existing decision-making structures.

When making any decisions, in accordance with our Constitution and guidance, there is an absolute requirement to consider all impacts and implications of the decision, and to clearly set out the reasons for the decision being made. The Council's work on equalities, makes every effort to ensure fair access to services for all.

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

Determining interventions

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

The Council's decision-making processes as set down in the Constitution meet these requirements. Either decisions are made in the appropriate committee, such as Cabinet, with papers distributed in advance and debates and decisions clearly minuted, or they are made by the appropriate officer or Cabinet Member through the decision-making processes. Consultations and feedback are an integral part of the County Council's decision-making processes. The opposition and scrutiny chairs receive decision reports prior to publication as part of the governance framework. The overall scrutiny and audit framework play a key role as a 'critical friend' in shaping decisions and therefore their intended outcomes.

During the MTFP (2019-22) the draft proposals were presented to all 3 Scrutiny Committees (January 2019) prior to Cabinet and Full Council consideration, including commentary on the Capital Investment Programme. Key reports, proposals and consultations are also made available for Scrutiny Committee to contribute to ideas and provide assurance, such as the Children and Young People's Plan, the Somerset Sustainability and Transformation Plan, and the property asset rationalisation approach and principles.

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

Planning interventions

The Council is a commissioning organisation, and its senior officer structure clearly reflects that approach with Lead Commissioner. An officer Strategic Commissioning Group (SCG) is in place to oversee this activity, which is attended by key commissioning specialists and key officers from support services. The SCG reviews all proposals for new contracts, scrutinising and managing Commissioning Gateway activity with a strong focus on financial savings and accountability.

The intranet has specific guidance as to how the council works through the commissioning cycle of Review, Analyse, Plan and Do. The commissioning intentions are overseen by the Commissioning Board, which has Senior Leadership Team and subject matter expert participation.

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

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

The continued financial strains on the County Council were recognised early in 2018/2019, when significant overspends were reported to Cabinet and Place Scrutiny. As a result, a set of additional proposals for change were put in place to urgently recover the forecast overspends and turn the financial position of the County Council to a balanced position by the end of year. A robust intervention process was set up and cross cutting team mobilised to ensure control measures were in place with increased frequency of monitoring to the Senior Leadership Team, Cabinet, Audit Committee and Scrutiny. The outturn position for 2018/19 was reported to the June Cabinet and Place Scrutiny and showed an underspend.

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

Throughout 2018/19 the County Council has been focused on addressing all these recommendations as a matter of urgency. In May 2018, the Chief Executive launched a programme of change actions under a Financial Imperative heading. The Chief Executive reported to Full Council that "The Council's key focus this year must be to secure our financial sustainability. We must, and we will reduce spending wherever we can to ensure our budget can support the vital work we do." Communications out to all staff, through a variety of media (Your Somerset, meetings, direct e-mails, intranet site,

requests for savings ideas) made it clear that this “should be everyone’s overriding priority”.

Significant governance was put in place for this programme of work. This ensured that savings and efficiency ideas were captured via a pipeline and brought forward to the Senior Leadership Team (SLT) for evaluation and (subject to the usual democratic Decision-making process) implementation if acceptable and deliverable. Work teams were set up to look at Key Lines of Enquiries (KLOEs), which are reviewing tactical financial opportunities; a review of existing savings and new opportunities; a workforce review; data analysis and insight to strengthen our commissioning; and communications. A revised 10 Point Plan was issued to control expenditure and a new Recruitment Protocol for vacancy management.

Throughout this period the council continued to be open with staff and partners as to the nature of the problem through Roadshows and communications such as Your Somerset.

Economic Development

Increasing economic prosperity is a strategic priority for Somerset County Council and our business plan includes a programme of prioritised activity to stimulate business growth, increased productivity and more and better employment opportunities for our residents. This programme of activity is closely aligned to the productivity for the Heart of the South West area and, locally, the Somerset growth plan. Somerset County Council has an established track record of targeted investment from our own capital programme and re-use of our land assets, aligned leverage of funding from Central Government, European programmes and the private sector to deliver this programme. Examples include:

- an ongoing programme of work to deliver in three phases the **Somerset Energy Innovation Centre (SEIC)** in Bridgwater. A total of £20 million has been invested in SEIC over these three phases, with SCC investment leveraging circa £15 million of investment from external sources. SEIC is designed to enable business growth, innovation and inward investment in the nuclear and wider clean energy sector, with particular links to the Hinkley Point C growth catalyst;
- the **iAero centre** in Yeovil, where SCC has secured a peppercorn lease on land owned by the globally significant Leonardo Helicopters and leveraged circa £7 million of Local Enterprise Partnership and European Regional Development Fund investment to enable the development of innovation centre focussing on rotorcraft technologies and sustaining the cluster of advanced manufacturing businesses in the vicinity of Yeovil. Development of the centre commences in July 2019;
- A proposed **Geospatial innovation centre in Taunton**, linked to the presence of the United Kingdom Hydrographic Office (UKHO) in the town. UKHO is a global leader in maritime data and seabed mapping and the centre will enable the UKHO to work with small and medium sized enterprises, academia and other Government agencies to capture economic growth from new market opportunities arising from this data. SCC has allocated funds in its capital programme and is working with Taunton Deane Borough Council to facilitate the delivery of the centre on

strategically located land owned by the Borough Council on the town centre Firepool site; and

- An ongoing programme of commissioning **enterprise centres in market towns and rural centres in the county** to address market failures in the delivery of high quality workspace for new and early stage businesses and to provide business support in a managed workspace environment. Once again SCC is making use of existing assets (land and buildings surplus to service needs) and leveraging Government and European Funds to maximise the value of our own investment in this programme.

The operating model deployed by SCC across these investments involves the Council establishing the asset and subsequently commissioning an external operator to manage the facility, contract lettings and deliver business support without ongoing revenue implications for the authority. Where feasible a revenue return is secured for the authority from operating surpluses.

This programme of activity has been positively acknowledged in SCC's most recent corporate peer review and monitoring and audit by the LEP and MHCLG has provided favourable feedback on SCC's approach to project management across this programme.

During 2018/19 the council has continued to look to the longer-term economic prosperity of the County and region through submission of various bids (eg Local Growth Deals, Housing Infrastructure Fund, Business Rate Pilot application). Moving into 2019/20, the council will progress these areas of focus once able and is already progressing the allocation of the BRR pilot gains that have been dedicated to local growth.

Optimising achievement of intended outcomes

The Council regularly and routinely report performance against plans and budgets. In addition to the reports to Cabinet, each SLT Director has an individual scorecard that encompasses key performance indicators, strategic risks and financial information, which are discussed with the Chief Executive.

The Core Council Programme has its own dashboard that is reported to the Senior Leadership Team. In light of the previous OFSTED findings and re-inspection regime, the Council developed a reporting mechanism for children's services and Quarterly Performance Review Management (QPRM) papers during 2017/2018 to aid the improvement and have continued this mechanism throughout 2018/19 and 2019/20.

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

The approach to the MTFP (2019-22) during 2018/19 was amended in recognition of the non-achievement of themed based savings proposals particularly the cross-cutting savings in previous years. The change in approach also included identifying all known services pressures, increasing the confidence in delivery of savings and ensuring sensible

assumptions about future funding sources. There was a focus on ensuring that the budget for Children's Services was rebased to ensure a realistic budget for the continued improvement journey in that area. In addition, the strategy to take opportunities to improve the councils reserves position during 2018/19 adds to the financial resilience of the Council. This is especially important given the uncertainty around future Local Government Funding beyond 2019/20.

The Councils financial planning (revenue and capital) will continue to look ahead over multiple years and seek to reduce uncertainty about future Local Government Funding (through the Spending Review 2019, Business Rate Retention Review and Fair Funding Review).

The MTFP (2019-22) decisions taken in February 2019 ahead of the financial year included a Summary of Equalities Impacts MTFP 2019/20.

The Council has a Social Value Policy Statement setting out expectations for those who wish to do business with the County Council. There is also guidance and training in place to help commissioners to identify and achieve social value through their commissioning and procurement activity. The Council is able to report on our social value activity through its Commissioning Gateway management system and are strengthening this approach to allow us to report robustly on the outcomes that have been achieved. This accords with the Public Services (Social Value) Act 2012.

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

Developing the entity's capacity

The Framework requires the Council to consider the use of its assets on a regular basis to ensure their continuing effectiveness. In terms of highways activities, there is already a requirement to manage the network along principles established in the Transport Asset Management Plan (TAMP) and Highways Infrastructure Asset Management Strategy (HIAMS). Such activities, which are essential to ensure that we make the best use of resources in maintaining the highway, are financially rewarded through the DfT Local Highways Infrastructure Incentive Fund. Work on highways asset management was recognised in early 2017, when the County Council was recognised a Band Three authority – the highest available - by the Department for Transport. This in effect means that the Council is amongst the best County Councils across the country, and it gives us access to extra grant funding. This value is set to increase over the next few years and will be worth an additional £3.77m per annum by 2020/21 if maintained, and our current DfT self-assessment suggests that it will.

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

- Confirmation of the council's overall policy of continued rationalisation;

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

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

The requirement to build new schools in Somerset to meet the growing basic need for school places is a key driver of the capital investment programme. We are bidding for funding to the DfE and through the Housing Infrastructure Fund to provide resource for the capital programme. There is also a shortage of places in some areas of Somerset according to data from the Childcare Sufficiency Assessment in 2017 and 2018. The programme of Learning Infrastructure asset build as a result is significant and will remain so for the financial planning horizon and the County Council continues to maximise all external funding opportunities. The County Council has always been a member of benchmarking groups across services to better understand its costs and performance. In 2018/19, additional benchmarking was carried out in Adults Services using a new Value for Money tool developed by the Local Government Association, comparing 152 Local Authorities.

The Council's People Strategy has been updated this year following consultation with staff and links to the Council Vision and Business Plan.

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

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

As described earlier, following the elections in May 2017, there was a full member induction programme to allow all members, but particularly any new ones, to understand how the Council works and the key services that it provides. On an on-going basis there is ad hoc training provided as required, including annually on the Statement of Accounts ahead of the Audit Committee each July.

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

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

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

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

Managing risk

The Council has a formal risk management Strategy and Policy in place, which have been endorsed by the Cabinet, Senior Leadership Team and the Audit Committee.

There is a quarterly Risk Management update report to the Audit Committee, which looks at the Strategic and highest scoring risks and monitors the progress of mitigations that are being undertaken to reduce either the likelihood or impact of the risks. Each risk has an allocated risk owner. Audit Committee has previously called in the risk owner to the public meeting where they have required further assurance as to management of the individual risk. This has been the case with the overall financial position where the strategic financial risk (ORG043) has been reported to every Audit committee in 2018/19 alongside a progress up-date on the council's value for money assessment.

The Council uses a dedicated risk management IT system (JCAD) to record, monitor and report on our risks. Each risk has a named senior risk owner and each mitigation (actions) also have individual owners who has the responsibility to review the risks, and to ensure that all mitigations are completed in the appropriate timescale. Output, in the form of reports, from JCAD are reported regularly to Audit Committee.

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

Managing Performance

The established reporting format has moved from the Performance Wheel to charts and narrative which has been welcomed as being more transparent and easier to understand by officers and politicians alike.

Cabinet received a quarterly performance report during 2018/19, which provided a high-level overview of the Council's performance across the organisation towards the priorities laid out in the Business Plan. This report is underpinned with a series of metrics that are used to evaluate the performance and provides members and senior officers

with the information they need to lead and manage the ongoing progress towards the vision set out in the County Plan.

At SLT level, each Director has their own balanced scorecard to manage key performance indicators across their span of responsibilities. This is used by the Chief Executive in line management meetings with his most senior staff.

The corporate performance reporting framework was updated during 2018/19 and now aligns clearly with the Council's Business Plan. There is a Performance Management and Framework Overview available on The Learning Centre.

The council operated 3 separate Scrutiny Committees during 2018/2019, each with its own remit – Policies and Place; Adults and Health; and Children and Families. These are public meetings, and the terms of reference for Scrutiny are set out in our Constitution and reviewed at least annually. In line with other councils, the Scrutiny Committees have the right of "call in" on key decisions on matters that concern them, and this is generally used on an exception basis.

Financial performance is taken to Cabinet in budget monitoring, the frequency of which has increased in 2018/19 to monthly to support the increased focus and visibility. More information, on the revenue budget is included on a quarterly basis, together with reporting on the capital programme. In addition, throughout 2018/19, budget monitoring reports were submitted to relevant Scrutiny Committees to further improve transparency. In addition, the capital and revenue outturn reports are shared annually with Cabinet. This approach will continue during 2019/20.

Ofsted

Ofsted re-inspected Somerset Services for children in need of help and protection in November 2017 following an 'inadequate' judgement and government intervention in 2015. The report was published in January 2018 and provided an overall outcome of "Requires Improvement to be Good" in all service areas, and Adoption which was judged to be Good. The report outlined 13 recommendations for improvement which have been incorporated into the Children and Young People's Plan. The OFSTED report made it clear that whilst some areas of the service were viewed as strong (such as the front door service), that there were still a number of areas that were weaker (such as Safeguarding & Corporate Parenting arrangements), and that overall the judgement indicated that services were just over the line

During 2018/19 Ofsted carried out Focused Visit (Inspection) of the council's front door children's social care services, including aspects of early help carried out on 29th and 30th January 2019. The Inspectors visited the early help hub, first response and assessment teams in Taunton, Bridgewater and Yeovil. Ofsted do not make graded judgements at the outcome of a focused visit. The outcome is about strengths and areas for improvement, reported in a published letter. Where inspectors find serious weaknesses, they identify areas for priority action in the published letter.

Although no priority actions were identified, 4 areas of practice were identified by Inspectors to require improvement to get to 'good' these are:

- Ensuring the child's lived experience is routinely captured to inform decision-making
- Being clear with families in all cases about the focus and time taken for any assessment
- Ensuring consistency of practice across all the teams in Somerset
- Improving the working with perpetrators of domestic abuse in families

Plans in place to address the first three areas are incorporated into the Children's and Young People's Plan and discussions are underway with Public Health in relation to improving the work with perpetrators of domestic abuse in families.

From having been judged as "Inadequate" in the OFSTED inspection carried out in January and February 2015, the County Council has been working with Essex County Council as "the Department's advisers". By December 2016, the Minister of State for Vulnerable Children and Families had confirmed in December 2016 that there has been "significant improvement" in Somerset's Children's Services, including more manageable case-loads, a more stable workforce and better partnership working.

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

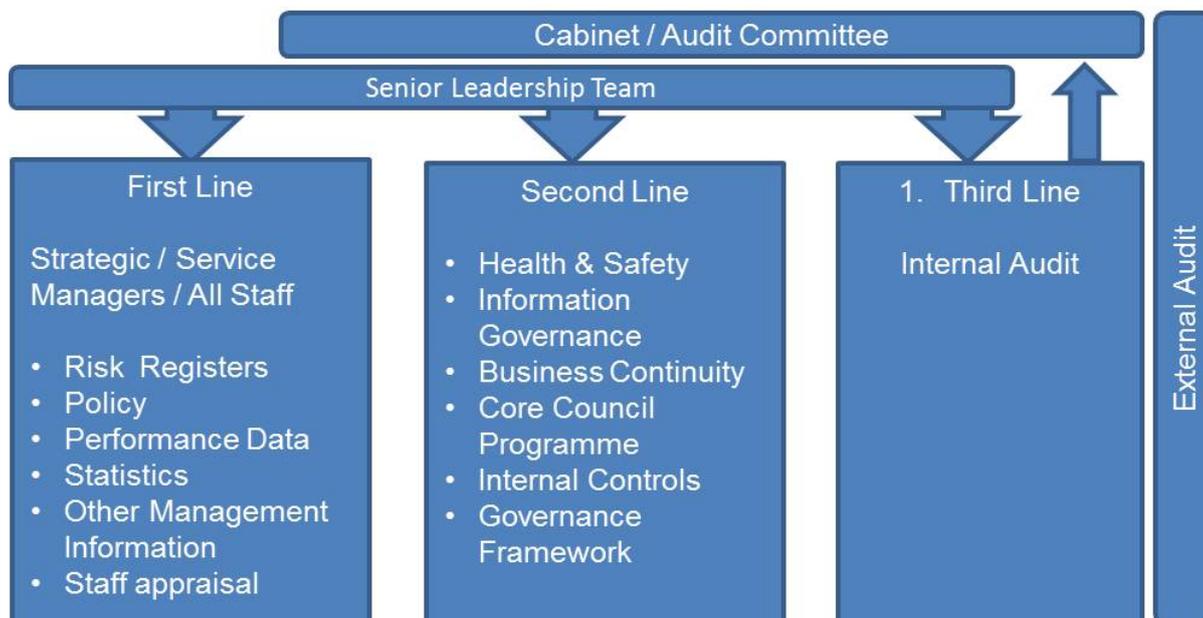
Robust internal control

The Healthy Organisation review by our internal auditors accredited the council in 2018/19 with high assurance / low risk in terms of its Corporate Governance.

The Senior Leadership Team is the Senior Officers body which brings together directors responsible for commissioning, resources, support and customer services and service delivery. Key activities include:

- Develop strategy/policy
- Oversee financial, performance and risk management
- Enable and co-ordinate matrix working
- Drive and oversee progress towards outcomes of the delivery of the County Plan and Business Plan
- Assurance against strategic and statutory functions of the Council and specific Directors

The following diagram depicts the '3 lines of defence' that the council employs for internal control and assurance:



The councils internal audit work is closely aligned with the risk management processes. Any internal audit report that only achieves "Partial" assurance is logged onto the JCAD system and all high priority risks identified within Partial audits are then tracked. Only when a Follow Up audit confirms that the management actions have been satisfactorily completed will the Partial audit be closed on JCAD. In addition, the recipient of a Partial audit is required to attend a public Audit Committee meeting to explain to members how they are addressing the agreed actions arising out of the audit, in order to provide the necessary assurance.

The Audit Committee has a defined brief set out in the Constitution, and in addition to the usual role of "those charged with governance" such as approving the Statement of Accounts, has received a number of other reports during 2018/19, including reviewing the Anti-Fraud and Corruption work and debt management performance. The external auditor has previously commented very positively on the engagement and effectiveness shown by the Audit Committee.

The internal audit function is provided by the SWAP Internal Audit Services (SWAP). SWAP is a public sector not-for profit company that is wholly owned by a number of local authorities who have joined together to pool resources and share expertise. There is an increasing number of other public sector organisations joining SWAP as partners, providing further resources and skills to its already well-trained and qualified staffing. SWAP complies with all statutory requirements, and all best practice, such as that laid down in the Public Sector Internal Audit Standards (PSIAS) and is formally reviewed at the Audit Committee annually (planned for July 2019) Peer reviews are used to provide an independent assessment of SWAP's processes. SWAP is now increasingly recognised for its work, particularly innovation, in awards processes from bodies such as CIPFA and the Municipal Journal.

The Councils working relationship with SWAP is contained with an Internal Audit Plan and a PSIAS compliant Charter. Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The

objective of the planning process and subsequent plan is to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The Council has a robust Anti-Fraud and Corruption policy, with an absolute zero tolerance approach towards fraud. All fraud and corruptions allegations are investigated. There are also subsidiary policies on Bribery and Money Laundering. All policies, and our detailed work on fraud are reviewed annually. SCC participates fully in the National Fraud Initiative with other local sector organisations, to share data to catch fraudulent activity. SWAP has officers who are trained fraud specialists for any necessary investigation. The Internal Audit Plan has some resource available for fraud and governance guidance and reactive work.

The National Anti-Fraud Network acts as the single point of contact for public authorities with regard to obtaining communications data under the Investigatory Powers Act 2016. SCC has specific named officers under this Act 2016 would be actively engaged should there be a necessitated acquisition of communications data for the detection or prevention of crime.

Managing Data

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

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

Services collecting, processing reporting information run regular audit procedures against their data to ensure accuracy for both the delivery of services to the public and for the planning and commissioning of services. Wherever possible this data is validated by review meetings with individual clients and comparisons with independent data sources. Key client databases have in-built validation procedures to ensure data quality is as good as possible at point of being recorded. This is further supported by a suite of validation reports that identify issues/gaps with data and these are accessed by both operation staff and support staff.

In 2018/2019 a follow-up audit-agreed recommendations in relation to the readiness for GDPR implementation audit (excluding DSARs) had been actioned and results were found to be satisfactory.

Strong public financial management

During 2018/19 there was significant turnover in the Finance Service leading to a number of internal opportunities for staff to transfer into new roles. In addition, subject matter experts continued to be employed in key technical posts such as insurance, pensions and treasury management.

At the Director level, from July 2018 an experienced Interim Director of Finance worked alongside the Senior Leadership Team, in setting up and then guiding the council through the necessary tighter financial focus to ensure delivery of a balanced budget in 2018/19 and in the development of a robust MTFP (2019-22). From March 2019 a different Interim Director of Finance was appointed to continue that improvement journey throughout 2019/20 as the council embeds the changed financial practices necessary to ensure a long term sustainable financial position.

The focus on financial turnaround throughout 2018/19 limited the opportunities for Continuing Professional Development (CPD) and wider team development. However, since February 2019, there has been an increased focus on team development and a person-centred approach will continue throughout 2019/20: developing skills, broadening learning opportunities, enabling CPD and further training, clarifying roles and responsibilities and strengthening experience where relevant.

During 2018/19 the frequency and quality of financial reporting updates at Cabinet, and where appropriate to other committees such as Audit Committee and Scrutiny Committees was increased significantly to include monthly revenue budget monitoring reports and more detailed reporting on the Medium-Term Financial Plan (MTFP 2019-22) development as well as reporting to every Audit Committee on the value for money assessment action plan progress. All decision papers (for committees, Cabinet member or senior officer delegated decisions) had financial sign-off before the decisions were taken. Finance officers provide support to transitional work under the Core Council Programme.

All expected financial policies and procedures are in place, and subject to review as appropriate. The financial system, SAP, has all the relevant division of duty controls in place for orders and expenditure, and there is a hierarchy of financial delegations, with only the most senior officers being able to commit the council to significant expenditure.

We have received positive feedback from both internal and external auditors in their specific statutory roles. The Internal Audit Plan has resources allocated to looking at financial systems and processes within SCC. There is a strong track record in previous internal audit reports, with Substantial or Reasonable assurance regularly achieved from this independent reviewer on Accounts Payable, Treasury Management and Payroll. Although this has not been the case for Accounts Receivable, the audit has been discussed at the Audit Committee with a new Income Code of Practice launched, supported by training sessions for debt chasers and the improved control framework is currently embedding. We have always had a strong track record of recovering the

overwhelming majority of money owed to the County Council and this continues to be the case.

The external auditor reports regularly to the Audit Committee and has regularly commented positively on SCC having the appropriate financial controls in and the appropriate stewardship and leadership in place to be effective. The Statement of Accounts presented to Audit Committee in July 2018 was highly commended by the external auditor in terms of quality and timeliness.

Whilst the 2018 Corporate Peer Challenge did highlight the financial challenges facing the County Council, it did comment that the Council was “well served by its Financial Services staff” and that it saw “sound financial expertise and advice”. The Corporate Peer Challenge Feedback Report received in April 2018 identified a number of recommendations in relation to financial management. This and the recommendations made by the external auditors in their adverse value for money assessment in July 2018, has led to substantial improvements during 2018/19, as summarised below:

- Addressing the funding gap in Children’s Services and allocating some corporate contingency to help mitigate the scale of the budget gap;
- Additional savings proposals identified and approved in September 2018;
- A Financial Imperative programme established to control, track and monitor current year financial performance and delivery of savings;
- Weekly Senior Leadership meetings focussing on the Financial Imperative work;
- Increased reporting through Cabinet and Scrutiny meetings on a monthly basis and additional reporting to Audit Committee of management actions and progress in addressing the auditors adverse VFM opinion;
- A conscious decision to increase reserves where the opportunity allowed;
- A robust approach to budget planning for 2019/20 onwards to ensure the budget assumptions were realistic and deliverable.

The Corporate Peer Challenge Team revisited the County Council in April 2019 to review the overall progress against the recommendations. There was a specific focus on the financial challenges highlighted in the 2018 Corporate Peer Challenge. The formal feedback report is awaited following the visit, but initial feedback received indicates that the Peer Team considered that the Council has purposefully faced its immediate challenging financial issues and is now far more self-aware of its financial challenges.

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

Implementing good practice in transparency

The Council routinely publishes a large amount of information about itself and its activities. Quarterly performance reports are published on the council’s website which complies with the relevant legislative requirements to publish both spend and certain categories of information. This is reviewed through the Annual Assurance Report at the officer Governance Board.

Committees meet in held public session unless there is a statutory need for a confidential item to be considered. Agendas, reports and the minutes of the previous meeting are published on the council's website in advance of each meeting. Members access papers through MODGOV software, which makes it easy to follow background papers for agenda items and decisions made in one place.

Implementing good practices in reporting

A number of reports are produced that set out council activities and inform the organisation, residents and stakeholders about progress. The Leader's annual report is taken to Full Council for information along with each Cabinet Member providing annual reports. In addition, where specific decisions are required at Full Council, it receives the Leader and the Cabinet's recommendations where necessary. Details of all key decisions taken are also reported to each Full Council meeting for information and provide a further opportunity for members or the public and elected members to ask questions of Cabinet Members. There are also regular reports from the Monitoring Officer, Section 151 officer and County Solicitor on statutory matters at appropriate times in the year. There is also a Constitutional requirement for the Chair of each Committee to take an Annual Report to Council to update on the committee's work during the previous year.

All decision-making reporting requires a decision to be taken by an appropriate committee, cabinet member or senior officer, and requires sign-off by finance, legal, HR and the Monitoring Officer. There is a need to consult or inform relevant members, including the Chair of the relevant Scrutiny Committee and Opposition Spokesperson, ahead of key decisions being taken. The Cabinet Forward Plan sets out proposed key decisions to be considered to allow for representations to be made. All Cabinet Member and officer Key Decision reports and decision records are published on the council's website.

The Councils Statement of Accounts includes a narrative on the financial position and on challenges that the County Council is facing and the Annual Governance Statement.

Assurance and effective accountability

All Partial internal audits received from SWAP Internal Audit Services are reported to the Audit Committee, and the relevant managers attend the Committee to explain what actions they are and have taken to address the audit findings. Any internal audit report that achieves Partial (or No Assurance) automatically receive a Follow Up audit to check on progress. The auditor will close an audit when they are satisfied that actions have been taken.

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

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

Reflecting the Council’s approach to the commissioning of services, Scrutiny continues to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action.

An increasingly important aspect of the council’s scrutiny function is scrutiny of key partnership bodies in which the Council is involved. Examples established in recent years include: joint scrutiny (with the district councils) of the Somerset Waste Board, joint scrutiny of the Somerset Rivers Authority (with the district councils); and joint scrutiny of the Heart of the South West Local Enterprise Partnership (with other Heart of the South West Councils). As strategic partnerships continue to grow in importance to the Council in service delivery terms so the role of partnership scrutiny will grow to ensure full accountability for partnership decisions and to exercise the council’s critical friend role to ensure better outcomes for Somerset’s residents.

Officers have Job Descriptions that set out corporate and individual responsibilities for their role, and there is the Constitution and Officer Scheme of Delegation that sets out what powers and responsibilities fall to which committee, individual member or officer.

The Governance Board has, as part of its remit, the role of sounding board and advice to the Monitoring Officer and Head of HR (or other officers as required) in considering any potential issues that they are addressing. There is the Constitution and Standards Committee that oversees constitutional or conduct matters for members. When the council report progress, such as the Core Council Programme, the names of the responsible officers, who are to ensure delivery of that particular initiative as included. Project management principles are followed throughout this Programme.

The Role of the Chief Financial Officer

In June 2016, CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The authority is obliged to include a specific statement on whether the authority’s financial management arrangements conformed to the 5 governance requirements of this CIPFA Statement during 2018/19, and, where they do not, to explain why and how they delivered the same impact.

Following the departure of the former Section 151 Officer early in 2018/19, the council then employed an Interim Director of Finance to guide the council through the acute financial challenges for most of 2018/19 and have now employed a second Interim Director of Finance from 1 March 2019 until 31 March 2020 to embed the changed practices and continue the council’s journey to financial sustainability. All three Section 151 Officers are CIPFA qualified with a broad range of upper tier experience.

Statement	SCC 2018/19 response
The Chief Finance Officer in a public service organisation:	The Director of Finance at Somerset County Council:

<p>1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest</p>	<ol style="list-style-type: none"> 1. was a member of the Senior Leadership Team attending SLT meetings, and reporting directly to the Chief Executive? 2. was a member of all relevant strategic Boards (including the Governance Board) 3. had overall responsibility for the MTFP process and financial strategy and reports regularly to Cabinet and Full Council.
<p>2. must be actively involved in, and able to bring influence on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy</p>	<ol style="list-style-type: none"> 1. was (or was through the appointed finance team representative) on all major officer groups and committees such as the QPRM team for OFSTED improvements, Learning Disabilities, South West Partnership Board 2. was responsible for financial sign off of all Key Decisions before they can be implemented 3. attends Audit Committee to provide assurance and along with other SLT Directors acts as expert witness for member lines of enquiry 4. signed off all grant terms and conditions before they can be accepted
<p>3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.</p>	<ol style="list-style-type: none"> 1. had authority for Financial Regulations, Financial Procedures, the Income Code of Practice and all underlying policies and procedures 2. champions the value of a strong internal audit function alongside the Senior Leadership Team and liaises closely with the Chief Internal Auditor over specific audits and the audit plan
<p>4. must lead and direct a finance function that is resourced to be fit for purpose</p>	<ol style="list-style-type: none"> 1. had a finance structure in place, bringing in external expertise where inexperience required additional skills at the senior level 2. Additional strategic financial planning experience has been recruited in May 2019 – and is expected to take up positions in early Summer 2019 – that will increase capacity to further embed the

	<p>finance service offer to the Council).</p> <p>3. established a wider Finance Leadership Team with effect from February 2019 to ensure a focus on team development, leadership behaviours and longer-term planning</p>
5. must be professionally qualified and suitably experienced	<p>1. all three S151 Officers are a CIPFA qualified accountant, with experience across a wide range of financial disciplines</p> <p>2. all have been /are active members of the Society of County Treasurers (with the current Interim having been the President of SCT in 2017/18)</p>

Review of effectiveness

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

- the detailed work undertaken to answer the 7 new principles and numerous subprinciples and actions under the new governance framework, and the evidence provided from a wide variety of managers and subject matter experts referred to above
- the Healthy Organisation report previously commissioned from SWAP Internal Audit Services and the work undertaken by the Governance Board to track all the recommendations made
- the Internal Auditor's proposed annual opinion report for 2018/19
- external auditors' comments as part of their Statement of Accounts and Value For Money audits, including their positive assessment of internal audit
- the work and effectiveness of the Audit Committee itself during 2017/2018, as summarised in its annual report to Full Council in May 2018
- the positive progress achieved and now acknowledged in response to the previous OFSTED inspections
- comments from other review agencies and inspectorates
- a review of the increasingly varied work undertaken by the Governance Board over the previous financial year
- individual knowledge of individual Governance Board members acting as subject matter experts

- quarterly reports to the Audit Committee relating to risk management and key risks and mitigations
- the report and recommendations of the Corporate Peer Challenge that was hosted in March 2018 and reported in May 2018

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

The internal auditor has confirmed that, subject to the satisfactory completion of the 2018/19 Internal Audit Plan, she expects to give "Reasonable Assurance" in her Opinion in respect of the areas that they have reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

There have been a number of individual audits that have only achieved "Partial Assurance" in 2018/19, but this is accepted because our Internal Audit Plan strategy specifically directs audit resources to areas that management consider are riskier in nature and require strengthening. Balancing this, there have been a number of Reasonable Assurance audits completed.

The internal audit process is enhanced by Audit Committee's "calling in" of "Partial Assurance" audits and the monitoring on JCAD of all risks deemed Medium/High or High. Suitable Follow-up from management to internal audit findings remains the key. Evidence suggests that the recommendations are generally actioned, which in her opinion, demonstrates effective control and governance. However, she has commented that the timescales for responding are sometimes in excess of those originally agreed, and therefore the County Council could be exposed to risks over a longer period of time than necessary. This will need to be addressed during the Internal Audit Plan officer responses for 2019/20.

A formal Report and Opinion from the internal auditor will come to the Audit Committee on 20 June 2019.

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

Conclusion

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

The details above up-date on changes to governance arrangements in 2018/19 and as the council continues its journey towards financial sustainability, the Governance Board will

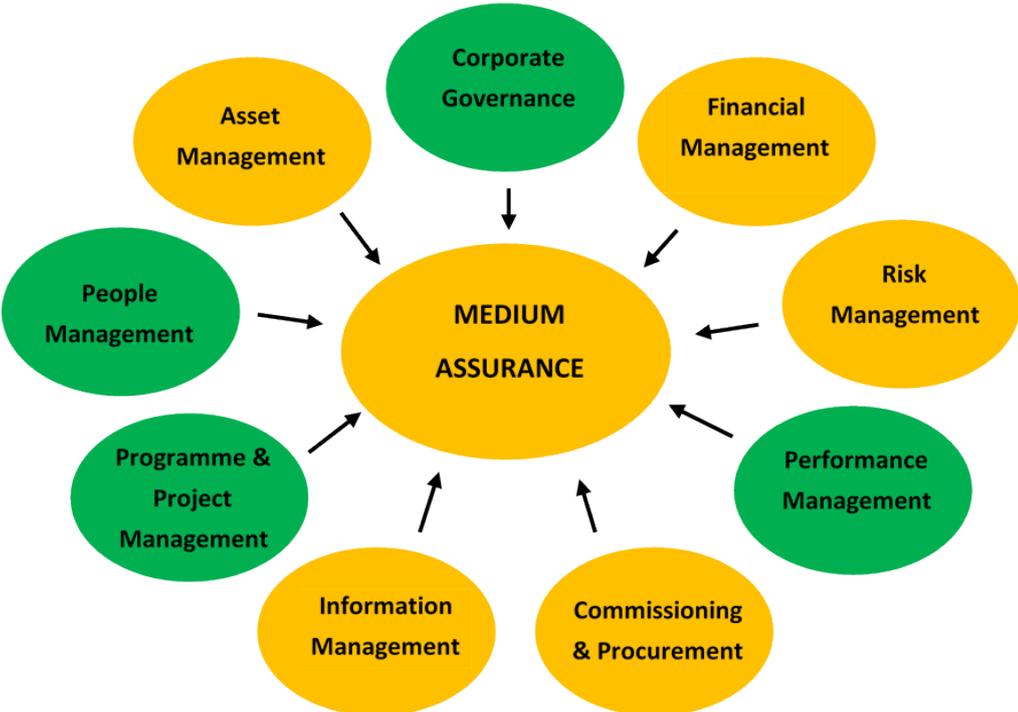
maintain a strong focus on future governance arrangements. Whilst 2018/19 has been a challenging year for the Council from a financial perspective, we are proud that performance has continued to improve, and governance arrangements have been enhanced to improve transparency and openness. Throughout 2019/20 the focus on this openness will continue and improved further. The aspects outlined below will form a focus for 2019/20.

Forward Look

Internal Audit

In the Internal Audit Plan for 2018/2019, a Healthy Organisation audit from SWAP was carried out in accordance with the agreed two-year cycle. This is a key review carried out across the SWAP partnership to help ensure that there is an adequate governance framework in place. This covered nine separate governance themes (Corporate Governance; Financial Management; Risk Management; Performance Management; Commissioning and Procurement; Programme and Project Management; Information Management and People Management & Asset Management) and the SCC position. Effectively, this provides the basis for an Action Plan on governance issues, which is monitored by the Governance Board in the first instance. In addition, a key focus of the 2019/2020 internal audit plan will be to review those areas where Healthy organisation audit work reported areas of weakness.

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



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

Financial Position

Whilst the council have made significant progress in turning around the financial position in 2018/19 and has ended the year with an underspend and a much improved reserves position, the council recognises there remains more to be done to secure long term financial sustainability. 2019/20 will have a focus on embedding the improved financial reporting and budget / savings monitoring tracking processes to provide assurance around delivery at the same time as more proactively planning its MTFP (2020-23). However, this can only be done in a context of on-going uncertainty (i.e. no Spending Review yet, no ASC Green Paper, no clarity on FFR / BRR), around the future of Local Government Funding meaning it remains imperative to plan scenarios for the future financial position that enables the council to respond to in a structured manner.

The Council presented a balanced budget for 2019/2020, assuming all savings proposals included are achieved and services manage demand within approved budgets. The estimated financial gap for the next 3 years (up to and including 2021/22) was £5.221m as at the Cabinet and Council meetings in February 2019.

Heart of the South West (HotSW) Joint Committee

This Joint Committee has met throughout 2018/19 and will continue into 2019/20 to ensure that the desired increase in productivity across the area is achieved.

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

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

Local Government Reorganisation

Preliminary work was carried out during 2018/19 to estimate the financial (and non-financial) benefits for Somerset of an alternative model for local government. The

Leader of the County has been clear in his desire to progress this agenda further during the medium term.

Council Vision for Improving Lives

The Councils vision for Improving Lives states: *"Our plan is to focus on a new approach to enable us to do this more often, faster and more joined up with our partners. Creating a sustainable organisation and a culture that promotes innovation and values our staff"*.

To achieve this the council recognises that it must change: continuing with endless rounds of savings proposals is neither achieving our objectives nor being encouraging for our staff. We must build a platform to plan ahead and be the confident, ambitious and improving organisation that we wish to be.

Our organisational structure has served us well as we have improved all our major services over the last five years, but it needs to change to be fit for the future.

- We want to prevent rather than just react.
- We want to work alongside our partners and communities to make best use of all available assets to provide the best possible outcomes for the people of Somerset.
- We want to work with partners, who are so important to us, along with volunteers, to enable our communities to be strong and resilient, to manage demand and make best use of the Somerset £.
- We want to get Somerset up to speed with digital solutions and use developing technology to lead the way we deliver some of our services.
- We want to create a culture that values our staff and makes sure they can work creatively, focussed on improving the lives of our residents.

In redesigning our organisation, we will adopt the following design principles – these will be the building blocks of our new organisation design.

During 2019/20 the council will work together as one organisation and in partnership with other organisations across Somerset to prioritise early intervention and prevention, encourage self-help and commission creatively and to ensure value for money. We will make best use of all our skills and assets to deliver cost effective solutions and creating the right conditions for people and communities to thrive and help each other. We will manage our partnerships and contracts well to ensure they deliver the outcomes our communities need.

We will develop a shared vision with our communities, which focusses on improving lives. For individuals this must come from better life chances and choices and be supported within stronger communities capable of supporting people's needs and building on their strengths. For us emphasising prevention that minimises demand on our statutory services.

We will empower our customers to resolve their own queries and meet their own needs, at a time that suits them by providing the right advice and information and

facilitating greater customer self-service via digital channels. Enabling our customers to resolve their problems quicker and ensuring our communities become more resilient and self-sufficient.

The approach to organisational redesign will be open and transparent, collaborating with staff and partners to enable us to co-design a financially sustainable Council that delivers better outcomes for our residents. It will enable us to develop a common goal and communicate a shared vision of the future with our partners and communities, aligned to their aspirations. And importantly, it will provide us with a plan for our change journey that defines the key success criteria for our transformation.

OFSTED

The Council's improvement journey in Children's services will continue in 2019/20 with a focus on the areas of practice for improvement identified in the follow up visit in January 2019 (as outlined earlier). Plans are in place to address these through the Children's and Young People's Plan and discussions are underway with Public Health in relation to improving the work with perpetrators of domestic abuse in families.

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



Pat Flaherty
Chief Executive
July 2019



David Fothergill
Leader of the Council
July 2019