

Somerset County Council

Annual Governance Statement

for year ended 31 March 2020



Foreword

“To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being”.

This is the Council’s stated purpose as contained in the Council Plan for 2018-22. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of shrinking public sector finances while at the same time, planning for a sustainable future.

Effective corporate governance is essential to support the Council in meeting these challenges.

All who use our services and all who pay for them, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council through the many changes it has gone through in recent years, we will ensure that this continues to be the case in 2019-20 and into future years as we continue to meet our challenges.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.



**Pat Flaherty,
Chief Executive**



**Councillor David Fothergill,
Leader**



What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2020, complied with its Governance Code and the requirements of the Accounts and Audit (Wales) Regulations 2014. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2019-20 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

1. The Council's Governance Responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control¹, and for reviewing the effectiveness of those arrangements.

The Council's Governance Code, which was developed in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved. The Code is on our website ([click here](#)), or can be obtained from the Monitoring Officer or Director of Finance.

Somerset County Council Governance Code (2017)

Our commitment to good governance is made across the following core principles:

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

¹A process to ensure that objectives will be achieved



2. The Governance Framework

The governance framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. The Framework is summarised in the diagram overleaf.

As the Council improves the way it provides services, it is important that the governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Senior Leadership Team, the Audit Committee, Constitution & Standards Committee, Scrutiny Committees, the Cabinet or Council as appropriate.

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.

Some of the key elements of the governance framework are highlighted on the next pages.

The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Purpose: 'To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'

Sources of Assurance

Assurance Required on:

- Delivery of Council Plan
- Communication of performance
- Financial management
- Service quality and best use of resources
- Any failures in service delivery addressed effectively
- Councillors and Officers working together effectively
- Compliance with laws and regulations, policies and procedures
- High standards of conduct and behaviour
- Informed and transparent decision making
- Management of risk and effective internal controls
- Developing the capacity and capability of members and employees
- Democratic engagement and robust public accountability

- Planning principles for services and Somerset Way of Working
- Constitution
- Strategic Leadership and Senior Management structures
- Medium Term Financial Strategy
- Financial Regs and Procedure Rules
- Contract Procedure Rules
- Commissioning Plans and, Procurement Strategy
- Consultation Strategy
- Communications Plans
- Equality Plan
- Organisational Development and Workforce policies and plans
- Corporate Performance
- Information Management policies
- ICT & Digital Strategy
- Health and Safety Policy
- Risk Management Policy
- Partnership Working
- Internal & External Audit and inspection
- Anti Fraud and Corruption Policy & Procedures
- Audit and Constitution & Standards committees
- Codes of Conduct (Employees and Members)
- Whistleblowing Policy
- Performance Review and Development
- Complaints system

Assurances Received

- Statement of Accounts
- 'Focused on Our Performance' self-evaluation of progress against Council Plan
- External Audit and Inspection reporting
- Internal Audit reporting
- Risk and Control Registers and Risk Management Reporting
- Directors' Internal Control Assurances
- Anti Fraud and Corruption Annual Report
- Scrutiny Reviews
- Reviews commissioned by management
- Annual review of the Constitution, Contract Standing Orders and Scheme of Delegation
- Peer Reviews
- Ongoing review by Governance Board of Corporate Governance and of gaps in assurance
- Governance Code and Framework review

Opportunities for Improvement

- Health & Safety
- Sustaining robust ICT infrastructure

**Governance
Review & Assurance**

**Annual
Governance
Statement**

GOVERNANCE FRAMEWORK

The Council Plan

The Council Plan for 2018-22 sets out our overall purpose - 'to ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'. It helps us to focus our resources and drive improvement, and sets out where we will focus our energies and our increasingly limited resources and how we will judge our performance.

The Plan sets out seven principles which we consider in the planning and delivery of services (see next page).

The Plan is the means by which the Council sets out how objectives will contribute to the wellbeing goals for Somerset and how they will be achieved. Objectives and target outcomes are set within three strategic themes – Economy, People and Place – and the corporate theme of Organisation. 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.



Evaluating Performance

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.

Performance is regularly reviewed by Directors and the Senior Leadership Team. Regular performance reports are presented to the Cabinet and available for review by scrutiny committees. An annual performance outturn report is reported to Cabinet.

Both our external and internal auditors assess the Council's arrangements for delivering continuous improvement and subsequent performance.

The Council's schools, education and training services are assessed by Ofsted on an ongoing schedule, and our social services are subject to ongoing review by the Care Quality Commission.

Social Media - Join The Conversation!

Join the conversation on all aspects of Somerset Council services and activities.

The Council provides its customers access to our services and information in the most appropriate Social Media channels.



Managing Risk

The management of risk is key to achieving what is set out in the Council Plan and to ensuring that we meet all of our responsibilities.

Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact.

Members and senior management identify the principal risks to the Council Plan's outcomes. These, together with the significant risks to planning and delivering services are recorded in risk registers, which also record the controls necessary to manage the risks.

The registers are regularly reviewed and challenged by senior management and by the Audit Committee in order to ensure that, as far as possible all significant risks have been identified and that the controls manage the risks efficiently, effectively and economically.

All members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important in meeting the Council's financial challenges.

'Brexit'

At the time of writing this Statement, the nature of the UK's withdrawal from the European Union is still uncertain. The Council has nevertheless considered the risks of this across its range of services. The risks are regularly reviewed and updated as the situation develops and where necessary, suitable mitigating action will be implemented.

Principal Risks 2019-20

1. Maintaining a balanced budget and ensuring a sustainable MTFP.
2. Those to whom the Council owes a duty of care suffer a preventable death, serious injury or serious abuse
3. Fail to deliver our statutory service duties in relation to vulnerable children
4. ICT failure of essential business systems
5. Revenue and capital resources are insufficient to achieve stated priorities and meet obligations at a time of increasing demand for services
6. The Council lacks the knowledge, skills, capacity, culture and ability to continue to meet its priorities and responsibilities
7. Failure to effectively monitor and manage our markets for value for money and protect against provider or supply chain failure
8. Data protection and GDPR breaches
9. Inconsistent and inefficient commissioning of services
10. Business continuity failure or a major civil emergency results in loss of life and disruption to services
11. Disruption to services by Brexit

Decision Making and Responsibilities

The Council consists of 55 elected Members, with a Cabinet of Lead Members who are supported and held to account by three Scrutiny Committees and the Audit Committee.

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

It is updated annually to take account of changing circumstances, legislative changes and business needs.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Strategic Manager – Governance) and 'Section 151 Officer' (Director of Finance) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Equality

The Council is committed to delivering equality and improving the quality of life for the people of Somerset County. Our Equalities Plan helps us to ensure that we prioritise those who may be vulnerable to discrimination.

Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

Open Policy and Decision-making

All Council, Executive Board and Planning Committee meetings can be viewed live on the website's webcasting page ([click here](#)) and the webcasts are accessible for six months.

Also, meetings of the Council, Executive Board and the main Committees are open to the public except where exempt or confidential matters are being discussed, and all reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website.

The Council's Forward Work Programmes contain information about all matters that are likely to be the subject of a decision taken by the full Council or the Executive Board during the forthcoming four month period. They also contain information about matters that will be considered by the Scrutiny Committees.



Financial Management

The Director of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and bi-monthly budget / actual reports to all Members.

Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and are reported to Cabinet and the Council.

The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.

The Medium Term Financial Plan sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This Plan is subject to review by the Scrutiny Committees and Cabinet ahead of approval by the Council every February.

Despite our established success in delivering savings, like many councils, the Council faces the challenge of designing a sustainable budget for the future in the face of continuing Government reductions to local government funding. We estimate a funding shortfall of around £9.4m over the period 2019-20 - 2022-23. We have therefore developed a Transformation Programme to improve efficiency and reshape our services whilst maintaining our commitment to the most vulnerable. This involves taking a fundamental look at all areas of the Council's work, reprioritising services, reducing services, ceasing services, considering different ways of delivering services and working more effectively with other organisations.

The current annual budget is available on our website and is regularly reviewed by the Senior Leadership Team, Scrutiny and the Cabinet.



Budget engagement has been conducted for several years to increase public understanding of the scale the financial challenges, explain what is being done to save money and to obtain opinion on proposals for further savings.

The results are taken account of by members when making the final decisions on the budget.

There is regular monitoring, review and management of budgets through the SLT (financial imperative programme), Scrutiny Place and Cabinet. The MTFP process has also been subject to business change and audit review.

Commissioning and Procurement of Goods and Services

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 commissioning activity, the group is attended by key commissioning specialists and key officers from support services. The SCG reviews all proposals for new strategic projects, including new contracts, scrutinising and managing Commissioning Gateway activity with a strong focus on financial savings, accountability, evidence led commissioning and delivery outcomes.

The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

Our Commissioning Plans and Procurement Strategy set out the vision and direction for commissioning, procurement and contract management across the Council.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Contract Procedure Rules which form part of the Council's Constitution.

Managing Information

In order to set a direction for the effective governance, efficient management and use of information and data under its control, the Council's Information Management Strategy explains how we will deal with the creation, storage, access, protection and lifecycle of information and data.

Information is central to the Council and its decision making processes and it therefore needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

In order to ensure that we are meeting the requirements of the General Data Protection Regulation regarding the collection, use and transfer of personal data, a Corporate Project was established in 2017 to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff.

Freedom of Information

Details of how to access information held by the Council and its Freedom of Information Policy are available on the [Council's website](#)

Audit and Audit Assurances

The Council is externally audited by its External Auditors. Their annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. In 2018 the External Auditor gave an unqualified audit opinion on the financial statements.

The Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit Committee approve the Internal Audit Plan, which sets out the Internal Audit role and its responsibilities and clarifies its independence, and the planned audit coverage.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2018-19 was:

"I am able to give assurance to the Audit Committee and management that the Council's control environment is generally effective in achieving the organisation's objectives."

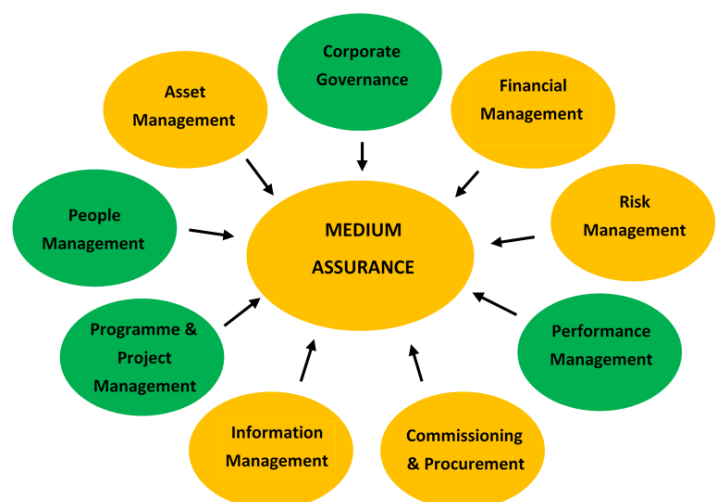
The opinion notes, however, that there is an ongoing need across the Council to ensure awareness of and compliance with corporate policies and procedures and to ensure that governance processes are effective in delivering agreed outcomes in support of the Council Plan.

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 8 Councillors appointed annually on a politically balanced basis by the Council.

Its main functions include:

- Agreeing the Annual Governance Statement and the Annual Statement of Accounts,
- Overseeing Internal Audit's independence, objectivity, performance and professionalism and supporting the effectiveness of Internal Audit
- Considering Internal Audit partial assurance reports and management responses
- Considering the effectiveness of Risk Management, including the risks of bribery, fraud and corruption
- Monitor the effectiveness of value for money arrangements
- Considering the reports of External Auditors and Inspectors.

The Audit Committee reports annually to the Council as part of its assurance.



Conduct

Our [Codes of Conduct for Members](#) and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

These include the need for Members and Officers to register personal interests and the requirements for registering offers or acceptance of gifts and hospitality, outside commitments and personal interests.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace. Full details are provided on the Council's website.

Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

There is little evidence that the *incidence* of fraud is currently a major issue for the Council, but the *risk* is increasing nationally. We therefore regularly assess how vulnerable our services are to fraud and corruption risks and we update our counter fraud arrangements accordingly.

The Council reviews its Anti Fraud and Corruption Policy on an annual basis and has adopted a 'zero tolerance' in relation to fraud and corruption. Our policy sets out what we will do to maintain this commitment in light of the risk

The results of our risk-based Anti Fraud approach are reported annually to the Audit Committee, and the resources available for investigation are subject to ongoing review to ensure that they remain appropriate to the risk of fraud.

Our website tells you how you can report suspected fraud against the Council.

The Nolan Principles for conduct and behaviour:

- **Selflessness**
- **Integrity**
- **Objectivity**
- **Accountability**
- **Openness**
- **Honesty**
- **Leadership**

'zero tolerance'

Whenever the Council identifies instances of fraud, bribery or corruption against it, it will always take legal and / or disciplinary action against the perpetrator and seek recovery and redress.

3. Improving Governance

The progress made during 2019- 20 on the significant issues identified in our 2018-19 Annual Governance Statement is shown below:

1.	<p>The Council's Financial Position - recognition of the significant progress in turning around the financial position in 2018/19. More to be done to secure financial sustainability.</p> <p>Ongoing review and management actions to address the recommendations from the Value for Money external audit opinion</p>	<p>The Council set a balanced budget for 2020/21 and agreed a Medium Term Financial Plan with a modest budget gap over a three year period. Will continue to lobby as part of CSR 2020.</p> <p>VfM tracker regular reviewed and actions progressed to deliver recommendations. Progress monitored by Audit Committee.</p>
2.	<p>Local Government Reorganisation Preliminary work carried out with partners and the need to establish a way forward.</p>	<p>Leader of the Council approved work to be undertaken to develop a Business Case for a potential unitary bid submission in 2020/21.</p>
3.	<p>Healthy Organisation Recognition of the improvements required to improve upon medium level of assurance from Internal Auditors.</p>	<p>Governance Board maintaining oversight and review with Internal Audit support regarding the necessary improvements and actions required.</p>
4.	<p>Improving Lives Programme 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 and better outcomes.</p>	<p>Transformation programme and project governance in place utilising Finance Imperative Programme approach with regular oversight from Senior Leadership Team.</p>

Based on our review of the governance framework, the following significant issues will be addressed in 2020-21:

<p>1. Financial Position (See previous page)</p>	<p>We will continue to lobby for fairer funding as part of the CSR 2020 and develop a sustainable Medium Term Financial Plan for consideration by Council in February 2021.</p>
<p>2. Local Government Reorganisation</p> <p>Development and potential submission of Business Case for unitary local government for Somerset.</p>	<p>Resources in place to develop a Business Case for consideration by the Council for potential submission to the Sec of State during 2020/21 as part of the process leading to the proposed formation of unitary local government for Somerset.</p>
<p>3. Covid 19</p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p>	<p>Avon and Somerset Local Resilience Forum and Somerset Tactical Group regularly reviewing and managing emergency response and service delivery by agencies.</p> <p>Emergency arrangements and management actions regularly reviewed by the Senior Leadership Team, Cabinet and Scrutiny Place.</p>

These issues will be supported by an action plan, progress on which will be monitored during 2020-21 by the Governance Board and the Senior Leadership Team. Oversight, constructive challenge and review will be available from the Cabinet, Scrutiny Place and the Audit Committee.

No other major changes to the Council's governance framework are planned for 2020-21, but we will continue to review and adapt it so that it continues to support the Council in meeting its challenge and in fulfilling its purpose, and ensure that the framework remains proportionate to the risks that are faced.

We will also continue to raise awareness of the Governance Framework and its requirements with employees across the Council, in schools and with elected Members.

4. Assurance

Subject to the above issues being resolved, we can provide an overall assurance that Somerset County Council's governance arrangements are effective and remain fit for purpose.

We propose over the coming year to take steps to address the issues set out above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ Date: _____
(Chief Executive)

Signed: _____ Date: _____
(Leader)



Contact Officers: Scott Wooldridge, Monitoring Officer and Jason Vaughan, Director of Finance