

Somerset County Council  
Audit Committee – 22 July 2021

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## **Annual Governance Statement 2020/21**

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Cabinet Member: Cllr M Chilcott, Cabinet Member for Resources

Division and Local Member: All

### **1. Summary/link to the County Plan**

- 1.1.** This report invites members of the Audit Committee to consider the attached Annual Governance Statement (AGS) 2020/21 for the County Council.

Subject to members' comments, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the final 2020/21 Statement of Accounts.

- 1.2.** Good governance, as evidenced in the Annual Governance Statement, is an essential pre-requisite to any organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management.

### **2. Issues for consideration**

- 2.1.** Members of the Audit Committee are asked to receive and comment on the Annual Governance Statement for 2020/21 (Appendix A) and the supporting evidence set out in the new Corporate Governance Code (Appendix 1).

Note - any relevant changes will be reflected by the Monitoring Officer in the final version before sign-off by the Leader of the Council and the Chief Executive.

### **3. Background**

- 3.1.** The Accounts and Audit (Amendment) (England) Regulations 2015 require the County Council as proper practice to produce an Annual Governance Statement to sit alongside the County Council's Statement of Accounts. The purpose of this statement is to provide assurance that the County Council has a sound governance framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

The production of an Annual Governance Statement is therefore a mandatory requirement.

- 3.2. The County Council is also required to carry out, at least annually, a review of effectiveness of its governance framework. This review of internal controls provides additional assurance that the Statement of Accounts gives a true and fair view of the County Council's financial position at the reporting date and its financial performance during the year.

As noted within the Annual Governance Statement itself, this review was informed by a wide range of internal and external sources. The review sought to consider whether there were any serious governance weaknesses and what actions would be needed to deal with them.

Members are reminded that both the format and the review process are heavily prescribed for us. To ensure that all local authorities carry out this process in the same way and to the same standards, there has been specific guidance since 2016 from CIPFA / SOLACE in "**Delivering Good Governance in Local Government**" and through extensive guidance notes.

The circular diagram included in the new Corporate Governance Code (Appendix 1) shows the 7 key principles of governance that authorities are obliged to consider. Beneath each of these principles are a number of sub-principles and beneath the sub-principles are behaviours and actions that would demonstrate evidence of having a suitable governance framework in place. There are also examples of what could be used to demonstrate compliance with CIPFA / SOLACE.

The Annual Governance Statement has been built upon the Corporate Governance Code evidence. Officers have either confirmed that the governance arrangements are adequate or where action is required.

- 3.3. Despite the exceptional year with many challenges for public services, our internal auditors have confirmed continued improvement and assurance with our governance framework and systems. This is a significant achievement by the Council for a challenging year and it is a testament to the good governance framework it has in place.

Throughout the majority of 2020/21, the Senior Leadership Team met twice weekly to manage the council's emergency response, maintain delivery of core services and prioritise resources accordingly. Regular position statements and updates were provided to elected members and reported to Cabinet meetings and other committees, including the formation of a new Member Engagement Board with partner representatives. Assessment of financial impacts of coronavirus Coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings.

Over the last twelve months the Council has also developed the One Somerset business case for a single unitary council to replace the current county council and four district councils.

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These have reviewed and assessed against the new CIPFA Financial Management Code with improvements forming part of an action plan. The continued improvements in our Financial Management arrangements have been recognised by SWAP Ltd as part of their review of the Healthy Organisation with an improved rating from Amber to Green.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2020-21 was:

**“On the balance of our 2020/21 audit work for Somerset County Council I am able to offer a Reasonable Assurance opinion in respect of the areas reviewed during the year.”**

The Healthy Organisation review was a key source of assurance with an overall Medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework.

- 3.4.** Throughout 2020/21, the Governance Board has been tracking actions against a Healthy Organisation Governance Scorecard. A summary of significant issues that the Board has overseen is set out on page 23 of the Annual
- Governance Statement and these relate to:
  - The Council's financial position
  - Local Government Reorganisation
  - Healthy Organisation audit actions
  - Covid 19 response
- 3.5.** In accordance with the CIPFA “disclosure requirements”, following formal approval of the Annual Governance Statement, the Governance Board will develop an Action Plan for 2021/22 aimed at further strengthening the Council's governance. Many of these will already be known and on-going actions, such as the continual review of the Constitution and key financial and organisational policies, especially in the light of Local Government Reorganisation proposals.
- 3.6.** The main purpose of the Annual Governance Statement is to provide the necessary assurance that a reliable framework was in place for the financial year that aligns to the Statement of Accounts.

However, best practice suggests that the Annual Governance Statement should also reflect the unique features and challenges of the County Council, and that it should therefore anticipate known and potential governance challenges ahead. This year's Statement includes the following significant challenges ahead for 2021/22:

- Sustainable financial position
- Local Governance Reorganisation
- Covid 19 emergency response
- Integrated Care System
- SEND Improvement Plan

By doing so, it highlights these areas which could present significant corporate risks during 2021/22 and future financial years. The Committee can be reassured that mitigations and management actions are already underway on these matters.

#### **4. Consultations undertaken**

- 4.1. The Monitoring Officer and the S151 Officer have both been fully involved in the preparation of the Annual Governance Statement. Also, members of Governance Board have been proactively involved in the preparation of the Annual Governance Statement and new Corporate Governance Code given that this reflects the agendas and work of this Board.

The Senior Leadership Team and Cabinet have been consulted on the draft Annual Governance Statement.

#### **5. Implications**

- 5.1. All included above.

#### **6. Background papers**

- 6.1.
- Delivering Good Governance in Local Government: a framework (CIPFA/SOLACE)
  - The Role of the Chief Financial Officer in Local Government (CIPFA)
  - Healthy Organisation Internal Audit report 2018/19 - SWAP
  - 2019/20 Annual Governance Statement
  - Healthy Organisation Internal Audit report 2020/21 – SWAP
  - CIPFA FM Code
  - Council's Constitution & Scheme of Delegation

**Note** For sight of individual background papers please contact the report author