

## Somerset Council's Governance and Assurance Framework

Lead Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director Resources and Corporate Services

Author: Scott Wooldridge, Interim Head of Governance & Democratic Services

Contact Details: [scott.wooldridge@somerset.gov.uk](mailto:scott.wooldridge@somerset.gov.uk)

### Summary / Link to Council Plan

1. Local authorities are accountable to their communities for the money they spend. They are required under law to ensure they provide value for money, and to achieve this they have a governance framework that supports a culture of transparent decision making.
2. The CIPFA/Solace Delivering Good Governance in Local Government Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance, which it defines as "the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."
3. While governance does not look identical across all organisations, it is critical that proper arrangements are in place to ensure that an organisation can achieve its strategically agreed objectives and remain financially sustainable. These two elements are interdependent, and an organisation facing financial stress is at far greater risk when its governance is poor.
4. The reasons why governance can be weak are complex and include cultural failings, poor leadership and ineffective policies and procedures. The financial pressures faced by local authorities have also been a factor.

5. The last eighteen months have seen the publication of several public interest reports (PIRs) , including Nottingham City Council, two at the London Borough of Croydon, Northampton Borough Council and Pembrokeshire County Council.
6. Reports in the public interest are issued under the Local Audit and Accountability Act 2014. Schedule 7 places a duty on a local auditor to consider whether, in the public interest, they should make a report on any matter coming to their attention during the audit and relating to the Council, so that the recommendation can be considered by the relevant Council and brought to the attention of the public.
7. The content of those PIR reports has been varied, but the common theme running through each one of significant weaknesses in governance.
8. Good governance, as evidenced in the Annual Governance Statement (AGS), is an essential pre-requisite to any organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management.
9. The Annual Governance Statement is a key document for any organisation, and when completed correctly and with rigour, it can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the statement of accounts and should be regarded as a vital tool by those charged with governance and the leadership team. The Audit Committee receive the AGS as part of its consideration of the Council's Statement of Accounts.
10. The very stark and challenging financial position that the Council faces is well documented, with the cost of delivering services increasing significantly faster than the income it receives. The Council cannot continue to provide and operate services in their current format and rapid, radical, change is required if it is to become financially sustainable. In November, the Executive received an update on the development of the 2024/25 revenue budget which set out that there was a forecast budget gap of £100m. The latest forecast is that the budget gap has reduced to £87m as a result of reviewing budget pressures, identification of further potential savings and reducing the size of the capital programme. Nevertheless, given the significant gap and the relatively low level of reserves, there is the very real prospect of the Section 151 Officer having to issue a statutory section 114 notice if things do not significantly improve. As a result of this, the Council declared

a financial emergency. The Executive and Scrutiny Committee – Corporate & Resources have received reports with an update on the progress in reducing the budget gap and the extensive work is being undertaken by members and officers to address this.

11. For good governance to function well, an organisation must encourage and facilitate a high level of robust internal challenge. This will contribute to the financial sustainability of the organisation and evidence the right cultural approach. Recent reviews and PIRs have identified the two main areas of weakness:
  - Audit committee, which needs to be strengthened.
  - Internal challenge, in which scrutiny, internal audit and officer views need to be more effective.
  
12. The three statutory roles of the section 151 officer, monitoring officer and head of paid service are critical in ensuring that the organisation delivers good governance and lawful decision making. Where the organisation falls short of this expectation, these officers have a statutory duty to raise their concerns in circumstances defined by legislation: Section 114 of the Local Government Finance Act 1988, and Sections 4 and 5 of the Local Government and Housing Act 1989.
  
13. The lessons from recent governance failures show that authorities cannot take the adequacy of their governance arrangements for granted. Austerity, the COVID-19 pandemic and innovations in operating models all mean that governance arrangements are under pressure. In addition to these, unlike the majority of councils, Somerset Council has experienced Local Government Reorganisation and is delivering significant transition and transformation programmes. The AGS for 2023/25 will provide an opportunity for an honest reflection on the Council's arrangements and what actions or improvements are needed to ensure they are fit for purpose.
  
14. CIPFA recommends that all those charged with governance, and all those leading and supporting governance within an authority, should consider their AGS, their audit committee arrangements and arrangements for internal challenge to ensure they are fit for purpose for managing current and future challenges.

15. The Council's Governance Framework includes:

- The Council Plan, its policies, plans and strategies;
- The Council's Constitution, including its democratic arrangements, Executive and Scrutiny arrangements, decision making and the Scheme of Delegation, the Financial Regulations and Contract Procedure Rules;
- Standards of conduct i.e. the Members and Officers Codes of Conduct;
- Annual Governance Statement;
- Organisational structures and operating model;
- Internal governance arrangements e.g. Corporate Leadership Team, Transition and Transformation Board;
- Risk Management policy and strategy;
- Performance Management policies and reporting;
- Budget management and reporting, including financial procedures;
- Internal and External Audit Plans.

16. Appendix 1 sets out a visual summary of local government's assurance framework and the various roles and responsibilities.

17. Good governance means managing risks and performance through robust internal control and strong public financial management. As part of its assurance role, the Audit Committee could ask questions of its committee members, the Executive, the Scrutiny Committees, the Executive Lead Members, the Council's Statutory Officers and the Council's Directors such as the following:

Q. Does the Audit Committee have the assurances it needs to meet its responsibilities and ensure the organisation meets its statutory responsibility?

Q. Does effective assurance exist across all areas?

Q. Are any changes needed to the assurance framework and reporting arrangements to the Executive, Scrutiny and other committees and the Corporate Leadership Team?

Q. How effectively is risk management used in the planning and decision-making process?

Q. Are audit and assurance budgets and staffing resources adequate?

Q. Are there any concerns with management controls or areas for further improvement?

18. Accompanying this report is a presentation from officers and internal audit which sets out an overview of Somerset Council's governance and assurance framework and systems. The Audit Committee is asked to review this and identify any key lines of enquiry or where further assurance is required.

#### Issue for Consideration / Recommendations

19. That the Audit Committee:

- 1) Reviews the Council's governance and assurance framework summarised in this report ; and
- 2) Identifies any key lines of enquiry or where further assurance is required.

#### Financial and Risk Implications

3) It is clear that the scale of financial challenges facing the Council are significant. There is also more risk and uncertainty for the new Council until all the external audits of the 2022/23 accounts from the predecessor councils are finalised. Given the size of the updated budget gap, Strategic Risk ORG0057 Sustainable MTFP has the highest score possible.

Likelihood	5	Impact	5	Risk Score	25
------------	---	--------	---	------------	----

4) There have been regular all member monthly briefings on the budget, and these will continue until the February 2024 Council meeting.

#### Legal Implications

5) Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year. Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.

- 6) The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFP both at officer and political level. Regular financial reporting to Executive and Scrutiny ensures members are aware of the issues during the year and the mitigating measures in place, as well as providing for public accountability.
  
- 7) The Accounts and Audit (Amendment) (England) Regulations 2015 require the Council as proper practice to produce an Annual Governance Statement to sit alongside the Council's Statement of Accounts.

## **Background Papers**

Council's Constitution

Audit Committee terms of reference

Financial Strategy 2024/25 – reports to Executive November and December 2023

Strategic Risk Register

Annual Governance Statement's of legacy councils

Internal Audit Plan

CIPFA/Solace – Delivering Good Governance in Local Government Framework

LGA Draft improvement and assurance framework for local government

## **Appendices**

Appendix 1 – LGA draft improvement and assurance framework for local government

Appendix 2 (to be presented at the Audit Committee meeting 14 December 2023) – presentation to the Committee on the Council's governance and assurance framework

# **Appendix 1 - LGA draft improvement and assurance framework for Local Government**

# What do councils do to assure themselves? – internal actions

## Corporate directors – operational delivery, benchmarking, clienting

- directorate assurance statements
- project / programme management
- data quality assurance
- performance appraisals
- ensure appropriate governance and reviews of joint ventures / local authority trading companies / partnerships
- performance / finance / risk reporting, including:
  - corporate plan objectives delivery
  - statutory performance compliance (for example planning applications, Freedom of information requests)
  - national reporting (for example Adult Social Care Outcomes Framework (ASCOF))
  - savings delivery
  - complaints
- internal audit advice
- children's / adults safeguarding boards
- consultation / engagement
- training / compliance with policies / processes (for example, procurement)

## Head of paid service

- review corporate performance reporting to inform actions to ensure appropriate number, grades, organisation, management of staff for discharge of functions
- ensure appropriately senior / skilled staff employed, including for:
  - risk management
  - health and safety
  - emergency planning
- ensure appropriate person leads review of controls, consistent with CIPFA / Solace guidance
- adopt / review whistleblowing policy

## Corporate management team – operational and strategic delivery (including benchmarking)

- performance, finance and risk reporting – including:
  - corporate plan objectives delivery
  - statutory performance compliance (for example, planning applications, freedom of information requests)
  - national reporting, for example, Adult Social Care Outcomes Framework (ASCOF)
  - savings / medium-term financial strategy (MTFS) delivery
  - complaints
  - corporate health indicators (for example, staff turnover, grievances)
  - staff / resident surveys
- contribute to review of internal controls/ annual governance statement
- consider / respond to internal / external audit annual opinions / reports

## Corporate programme / project management

### 'Golden triangle' meetings

### Monitoring officer with Section 151 officer

- scheme of delegation

### Senior information risk owner / Caldicott guardian

- designated responsibility for information governance / protection of confidentiality of health and care information / ensuring proper use

## Monitoring officer

- responsible for / regularly review constitution – consistency with legislation / best practice
- oversight of arrangements for member decision-making – compliance with constitution / legislation and scrutiny (working with democratic services)
- principal adviser to standards committee

## Section 151 officer

- oversight of financial affairs to ensure proper administration (including budget-setting / budgetary controls, counter fraud policy, procurement processes)

## Head of internal audit

- prepare/ implement annual internal audit plan
- audit governance / risk / controls / policies / processes / reporting
- internal audit quality assurance and improvement programme



# Where and how are councils accountable publicly?

English Devolution Accountability Framework (combined authorities)

## Committee with delegated responsibility for governance

- reviews / challenges / approves annual governance statement (chief executive / lead member are accountable as signatories to statement)

## Audit committee (statutory for combined authorities only)

- annual report to full council, including results of annual assessment
- internal auditor's annual report
- external auditor's annual report and opinion (accounts and value for money judgement)

**Overview and scrutiny** – holds executive to account for decisions and actions that affect communities

## Full council / those charged with governance

- ultimate accountability for governance and non-executive functions
- considers public interest reports, statutory recommendations, advisory notices from external audit
- agrees annual budget and medium term financial strategy, treasury management strategy

## Media / residents / businesses – can hold council to account through:

- attending public decision-making / scrutiny meetings
- complaints / redress schemes
- rights to ask auditor questions / raise objections
- informed by access to member decision-making reports, forward plan, documents published in accordance with Local Government Transparency Code (2015), Public Sector Equality Duty, freedom of information requests, Environmental Information Regulations (2004), subject access requests

## Local elections

Informed by manifestos

## Performance reports to committee / executive

- delivery against targets
- delivery against standards/ benchmarks

## Reports of ombudsmen / inspectors / regulators

- Local Government and Social Care Ombudsman / Housing Ombudsman decisions, letters, reports
- Ofsted
- Care Quality Commission (CQC)
- HM Inspectorate of Probation
- Building Safety Regulator
- Equality and Human Rights Commission (EHRC)
- Social Housing Regulator
- Information Commissioner

## Government intervention

- Oflog
- planning designation
- best value non-statutory / statutory
- adult social care
- children's social care – improvement notice / statutory direction

## Parliamentary select committees

## Judicial system

- civil / criminal litigation
- judicial review