



South Somerset District Council

ANNUAL GOVERNANCE STATEMENT 2018/19

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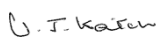
Introduction

This is South Somerset District Council's Annual Governance Statement (AGS) for 2018/19. The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015.

The Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. A review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2018/19 Statement in April 2019. The review was also supported by the Council's Chief Internal Auditor.

The Council publishes the Annual Governance Statement on its website alongside the annual Statement of Accounts.

This is a significant period of change for the Council. We have been progressing with an organisation-wide transformation programme, which started in 2017, and involves the implementation of a new 'operating model' – changing the way or people and service activities are organised; and modernising and streamlining our business processes. At the heart of the programme is our ambition to deliver improved services for our customers and remain financially resilient as an organisation. It has been overseen by robust programme and project management arrangements, which are summarised within this document. Delivering savings through transformation is one part of the Council's financial strategy, which also includes financial targets around income generation and commercial investment. These are key to our planned approach to meeting the financial challenges and ensuring our services are sustainable and affordable for the foreseeable future.



Cllr Val Keitch
Leader of Council



Alex Parmley
Chief Executive

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 manner that is timely, inclusive, open, honest and accountable.

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 control, and for reviewing the effectiveness of those arrangements.

The Council is committed to the principles of good governance in line with the guidance produced by CIPFA and SOLACE including:

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

The Council has adopted a Local Code of Corporate Governance. The Code that existed during 2018/19 has remained substantially unchanged since its approval in 2013. Officers have therefore taken the opportunity to review the Local Code in April 2019, and have updated it in line with the above principles that reflect the most recent guidance. The updated Code will be presented to the Audit Committee in July for approval alongside the Annual Governance Statement for 2018/19.

The Governance Framework

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

As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

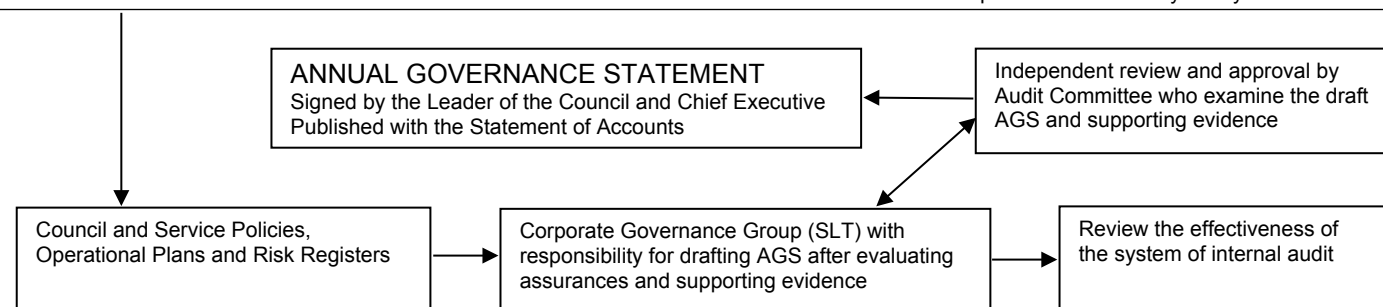
In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, District Executive or Council as appropriate.

The framework is summarised in the diagram below and some of the key elements of the governance framework are highlighted on the next pages.

South Somerset District Council – Governance Assurance Framework

Governance Framework – Key Documents/Functions

- Constitution
- Council Plan Service Planning Framework
- Business Transformation Projects
- Access Strategy
- Communication Strategy
- Performance Management Framework
- Schedule of Council Meetings
- Local Code of Corporate Governance
- Record of Decisions
- Fraud and Data Strategy
- Risk Management Strategy
- Partnership Register
- Code of Conduct for Members
- Members Induction & Training Programme
- Code of Conduct for Employees
- Officer and Member Protocols
- Confidential Reporting Policy
- Anti-Fraud & Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Project Management Methodology
- Capital Strategy
- Procurement Strategy
- Medium Term Financial Plan/Strategy
- Capital Strategy, Investment Strategy and Treasury Management Strategy
- Commercial Strategy
- Annual Budget and Statement of Accounts
- Financial Procedure Rules
- Procurement Procedure Rules
- Scheme of Delegation
- Complaints Procedure
- Equalities and Diversity Policy



Performance Management	Risk Management	Information Governance	Legal and Regulatory Assurance	Members' Assurance
<ul style="list-style-type: none"> • Embedded system • Operates throughout the organisation • Internal and external reviews • Action orientated • Performance Indicators • Periodic progress reports 	<ul style="list-style-type: none"> • Risk management strategy • Embedded in planning processes and project/partnership methodologies • Effectiveness evaluated • Outcomes reported to committee • Training programme 	<ul style="list-style-type: none"> • Training programme • Outcomes reported to committee • Data Protection Officer role • GDPR Compliance • Transparency Code compliance • Data quality assurance for statutory returns and performance data 	<ul style="list-style-type: none"> • Monitoring Officer's reports • Sections of committee reports • Legal advice obtained to support key decisions 	<ul style="list-style-type: none"> • Standards committee • Audit committee • Scrutiny function • Access to policies, information, advice, reports
Assurances by Directors/ Service Leads	Other Sources of Assurance (including third party)	Financial Management	Internal Audit	External Audit
<ul style="list-style-type: none"> • Periodic reports • Internal control reviews • Annual Governance Statement • Internal Audit reports 	<ul style="list-style-type: none"> • Reports by inspectors • Service review reports • Fraud reports and investigations • Ombudsman reports • Post implementation reviews of projects 	<ul style="list-style-type: none"> • Medium Term Financial Plan • Revenue Budget and Capital Programme • Revenue and Capital Management reports • Treasury management • Balance sheet management • Statement of accounts • Compliance with codes of accounting practice • Statutory returns • Grant claims 	<ul style="list-style-type: none"> • Operates under approved terms of reference • Approved risk-based plans • Periodic and annual reports to Audit Committee, Auditor Opinion • PSIAS code compliance assessment • Active Quality Assurance and Improvement Programme in place • Operates under an Internal Audit Charter 	<ul style="list-style-type: none"> • Annual Plan • Audit Findings Report • Audit Opinion and VFM conclusion • Audit Letter • Notice of Completion of Audit • Public Inspection Period

Ongoing assurance on adequacy and effectiveness of control over key risks

The Corporate Strategy and Plan

In April 2016, the Council approved its “Tackling the Challenges” Council Plan 2016 to 2021, and has subsequently produced an Annual Action Plan to set out what the Council will do to deliver and progress the agreed priorities for the year ahead.

Members and Officers worked together to produce the Annual Action Plan for 2018/19, which was approved in February 2018. The Plan provides a clear focus for the Council regarding what it will deliver during a period of major change. It draws together our strategies and priority projects for the year, supported by a revised set of key performance indicators.

The focus for the year 2018/19 is the continued implementation of our transformation programme. Delivering this major change has absorbed a lot of the organisation’s capacity and energy, requiring a clear focus. Ensuring that we can meet our aims is a complex challenge and like all councils, we continue to face substantial financial challenges as we work towards meeting the £6 million annual savings target by 2022/23, as defined in the council’s Financial Strategy. The Council’s budget for 2018/19 and Medium Term Financial Plan (MTFP) demonstrate good initial progress towards this target.

The Council agreed eight Priority Projects for 2018/19 within the Action Plan, as follows:

- 1) To implement the Transformation Programme and Commercial Strategy.
- 2) To complete the “Yeovil Refresh” for Yeovil Town Centre and progress implementation.
- 3) To develop proposals for the regeneration of Chard and progress implementation.
- 4) To create a town centre action plan for Wincanton and progress implementation.
- 5) To deliver Phase 2 of the Yeovil Innovation Centre.
- 6) To facilitate appropriate local development ensuring local housing and infrastructure needs are met.
- 7) To support our small and medium sized businesses across the District, including internet access, to meet their needs.
- 8) To meet the new homelessness duties arising from the Homelessness Reduction Act 2017.

The Corporate Plan and Annual Plans are not intended to capture everything that the Council does nor do they include the detail of all our work and projects. That is the role of the Operational and Individual Plans which will flow from the Council Plan.

Decision Making and Responsibilities

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.

The Council consists of 60 elected Members, with an Executive of the Leader and Portfolio Holders who are supported and held to account by Scrutiny Committee. In order to give local citizens a greater say in Council affairs, the Council operates four area committees. These are responsible for planning, local regeneration schemes and community development in their area.

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 Officer, and explains the role of these officers for 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 South Somerset. 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. The Council has approved a new Equality and Diversity Policy in March 2019.

Managing Risk

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This applies to all significant programmes, projects and initiatives as well as any recommendations for material changes to current practices.

Work has been undertaken in early 2019 to review the SSDC approach to risk. This has included a simplification of the categories of risk, which it is proposed will provide a clearer route for escalation for risk owners. Furthermore a simpler and more transparent risk register template has been developed to encourage utilisation and ownership of risk at the appropriate level of the organisation. This will be enabled through supported risk reviews according to an agreed timetable.

Senior management is responsible for identifying and managing the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Directors will decide how to structure risk registers within their areas but will use the same risk register template and methodology. As well as describing the risks in a consistent manner using agreed categories of risk, the registers will also record the controls necessary to manage the risks. The registers will be regularly reviewed and challenged by senior management and by the Audit Committee.

Financial Management

The Council has a long established record of effective financial management and managing within our means. We continue to face the challenge of designing a sustainable budget for the future in the face of ongoing reductions in Government funding for local government.

In March 2016 the Council agreed a Headline Business Case for Transformation. Further work was undertaken on the development of a new operating model and a more detailed business case, which was approved in April 2017. Transformation puts the customer at its heart, and seeks to drive benefits through implementing new ways of delivering services, providing more services digitally and modernising our business processes. The financial implications required up front implementation costs estimated at £7.45m and annual savings rising to £2.48m per year by 2019/20.

South Somerset set a balanced budget for 2018/19 and has also achieved this for 2019/20. The 5-year Medium Term Financial Plan agreed in February 2019 incorporates the savings from transformation and good early progress in increasing income from commercial and treasury investment activity. In 2017 the projected annual budget gap – the difference between our funding and our net costs – was forecast to reach £5.2m. The current MTFP forecasts a remaining gap of £1.6m by 2023/24, which the Council plans to address mainly through further income generation.

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's 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 and regular financial performance reports to Councillors. 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.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2018/19 and the subsequent four years.

Commissioning and Procurement of Goods and Services

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.

The Council has rolled out new procurement guidance and training during 2018/19 to build organisation-wide knowledge and improve procurement practices.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

Over the past year the Council has been preparing to meet the requirements of the General Data Protection Regulation (GDPR), which came into force under the UK Data Protection Act 2018 on 25 May 2018. This changes how we can collect, use and transfer personal data. A GDPR Action Plan has been established to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff and members.

Conduct

Our Codes of Conduct set out the standards of conduct and these are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training to members and employees and both groups are regularly reminded of the codes.

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 on how to raise concerns about activities in the workplace. There have been no occasions during the last year where whistleblowing has taken place.

Counter Fraud

Our Anti-Fraud Policy clearly states that the Council will not tolerate any form of fraud, corruption or bribery. It provides for deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention.

Benefits related fraud matters are usually referred to the Department for Works and Pensions, who operate the Single Fraud Investigation Services. During 2018/19 there have been some challenges where due to a staff vacancy there has been limited capacity to focus on non-Benefit-related counter fraud initiatives. The S151 Officer and Monitoring Officer are exploring options for enhancing the Council's capacity in this area, in order to provide greater focus on prevention, investigation and prosecution of fraud cases.

The Council participates in the National Fraud Initiative, which compares data from a range of organisations to identify potential fraud or error cases.

Transformation

The Council has made significant progress during 2018/19 in delivering its transformation programme. Phases 2 and 3 of the reorganisation of staff into our new operating model was completed during the year with staff moved into new roles by January 2019, and the final Phase 4, focussing on commercial services, was completed in March 2019.

Robust programme and project management arrangements have been maintained throughout the project, with the programme overseen by a Transformation Board (SLT plus lead Members) with a dedicated Strategic Programme Lead also a member of SLT. The key workstreams have all had a clear lead officer to manage each part of the Programme.

The Transformation Board met fortnightly throughout the main implementation period, receiving progress reports and updates on key risks and issues. The Board will continue to meet on monthly basis until formal closedown of the Programme, anticipated during 2019/20. There has been regular engagement with Members with monthly briefings provided by the Chief Executive and other key officers.

Commercial Services and Investment

The Council approved a new Commercial Strategy in the summer of 2017. This provides the strategic direction for the Council operating in a more commercial way. Through transformation we have created a focussed commercial team, led by the Commercial Services Director, which focusses on services that are funded through direct income (e.g. sale, fees and charges). There is also a strong assets and property function which is driving forward the Council's Commercial Land and Property Development plans in order to reduce costs and increase income.

In 2017 strong governance was also approved as part of the Commercial Strategy to oversee and manage a new Investment Fund which is being used to build a portfolio of commercial investment properties. The Council uses specialist staff and advisors to assess and evaluate investment opportunities, with favourable ones presented to an Investment Assessment Group (IAG) comprising the Commercial Services Director, Commercial Property, Land and Development Manager, S151 Officer, Monitoring Officer and Portfolio Holder for Property and Climate Change and Income Generation. A unanimous vote from all members of the IAG is required for an opportunity to proceed for formal consideration and approval. The Council has delegated authority to the Chief Executive, in consultation with the Leader, to approve individual investments of up to £10m per transaction. Those valued above this will require approval of District Executive.

The Council has approved an updated Capital Strategy and Investment Strategy in February 2019, following the requirements of the Prudential Code and new statutory investment guidance.

Regeneration Programmes

During 2018 the Council reviewed its governance arrangements for Strategic Development and Regeneration in South Somerset, with new arrangements agreed by Full Council in May. A new Strategic Development Board (SDB) has been established, comprising the Leader, 4 Area Chairs, relevant portfolio holders covering Economy, Homes, Environment, Infrastructure, Spatial Planning and Development Management. Its key purpose being:

- ensure alignment of the appropriate priority projects and have an overview of strategic development to ensure the relevant ambitions of the Council are being delivered
- ensure a coordination and synergy between the Council's key strategies including the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- own and overview the delivery of a programme of work (projects, actions, policy initiatives and potentially service delivery initiatives) aimed at achieving the Council's development ambitions as set out in the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy
- overview and coordinate the delivery of the Regeneration Programmes (but accountability for the delivery of Regeneration Programmes would be with their relevant Regeneration Programme Board)
- hold responsibility for overseeing and managing the cumulative impact of programmes and projects including associated risks.

The Strategic Development Board and its delivery would be held to account through Scrutiny and Council. Progress with the programme would be reported through the Council's performance management systems including the quarterly performance reports.

The Council has established three priority Regeneration Programme Boards – for Yeovil, Chard and Wincanton. The Boards normally comprise four Members, Chaired by the Area Chair, the Lead Director, Chief Executive, and where appropriate a limited number of key delivery partners. These Boards will oversee their programmes, projects, resources and risks, and report regularly to the SDB.

The Council has established an innovative approach to funding, with Gross and Net Budgets set for each active Programme Board (initially Yeovil and Chard). The aim is that the Net Budget will represent the net cost to the Council, but recognises that such programmes require significant up-front investment including through developers and other parties.

Conclusion

It is our opinion that South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting our priorities and risks. The main priorities for the past year have focussed on continuing to provide effective and resilient services; progressing the major changes through Transformation; and successful implementation of the Commercial Strategy including commercial investments, other income generation projects and schemes, and creation of a holding company to enable the Council to trade in various services for income generation into the future. We have also made good progress in reviewing and improving our strategic planning and performance management arrangements as demonstrated in the new Annual Plan for 2019/20.

The Internal Auditor's Opinion provides reasonable assurance based on the areas reviewed in the annual audit plan, giving confidence over the effectiveness of the systems of internal control.

With District Elections on 2 May 2019, a key focus during May and June will be welcoming returning and new elected Members to the Council and providing ongoing support in continuing to drive good governance.

Improving Governance Actions

There are no significant governance issues to report for 2018/19. Despite the scale of change it is the assessment of the Leadership Team that the Council's operations and projects have been managed effectively. Assurance is taken from the outcome of the internal audit plan and auditor's opinion.

Improvements and key actions in governance during the last year included:

- Risk Management: The Specialist – Procurement, appointed in July 2018, provides a strategic focus on risk management for the Council and is responsible for developing the Risk Management Strategy. This supplements the responsibilities of all councillors, managers, leads and other staff in managing risk appropriately in their areas of control and responsibility. The Strategic Risk Register has been reviewed in light of the Transformation Programme and our approach to Commercial opportunities. This has resulted in some work with Internal Audit (SWAP) on identifying suitable Strategic Risks. We have also improved engagement with the Audit Committee, providing updates during the latter part of the year on the approach to risk management. A proposed Risk Management Strategy will be piloted with the Future State Project team in April 2019 and discussed with the leadership and the

Audit Committee in May 2019. It will include the proposed risk register hierarchy and escalation, and new risk categories.

- Strategic Planning and Operational Planning: Work has progressed well on this to date, with the development of a new approach to our annual planning cycle, with good member engagement. The development of the Council Plan has progressed well, with a clear link between district wide and local area priorities, reflecting our new Area + working model which will come into effect in 2019, as well as clear KPI which show how we are delivering against our key priorities. The Council agreed the 2019/20 Annual Plan in February 2019.
- Governing the Transformed Council: Work is underway to review the Council's Constitution and other governance arrangements to reflect the newly transformed Council and its services. This work, led by the Director for Strategy and Support Services, will continue in 2019. We have endeavoured to work jointly with neighbouring Councils – Taunton Deane and West Somerset – who are progressing similar work.
- Employment Policies: Good progress has been made to review all employment policies, led by SLT and the Lead Specialist – People. A consultation period has been open from 20 March to 30 April to launch a new employment contract and key employment policies (including a new code of conduct). The remaining policies (not linked to the employment contract) will be reviewed within the next financial year.
- Performance Management: During 2018/19 we reviewed our key performance indicators alongside the preparation of the new Council plan for 2019-20, and agreed our approach to target setting and reporting framework. Employees for phase 3 & 4 received training and support to complete Personal Development Plans during February / March and this will continue into 2019-20 with a planned completion date of July 2019.
- Authorised Officers: Officer delegations for authorising business transitions, such as purchasing and payroll changes, has been updated during the year to reflect the structure of new operating model.

Improvements and key actions in governance planned during the next year include:

- Constitution: The review and update of the Constitution will be completed, to ensure it reflects governance required for the transformed Council.
- Financial Regulations: These will be reviewed and updated to reflect the new operating model and appropriately controlled financial rules and procedures to support the transformed Council.
- Local Code of Corporate Governance: Our Local Code will be updated to reflect current guidance, reflecting the principles, values and behaviours we will adopt in working for, with and on behalf of the Council, our customers and communities.
- New Member Induction: With district elections in May 2019, we will implement an important programme of events and training to support the induction of new and returning elected Members.