South Somerset District Council
Notice of Meeting
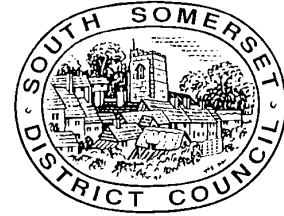
Audit Committee

M a k i n g   a   d i f f e r e n c e   w h e r e   i t   c o u n t s

Thursday 25th May 2017

9.30 am

Alford Room, Council Offices, Brympton Way, Yeovil BA20 2HT

(disabled access and a hearing loop are available at this meeting venue)

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker	Carol Goodall	David Norris
Mike Beech	Val Keitch	Colin Winder
Mike Best	Graham Middleton	

If you would like any further information on the items to be discussed, please contact the Democratic Services Officer on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 17 May 2017.

Ian Clarke, *Director (SupportServices)*

**This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app**

INVESTORS IN PEOPLE

Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;

2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;

3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;

4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"

5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;

6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;

8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;

10. To review the Annual Governance Statement (AGS) and monitor associated action plans;

11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;

12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14.   To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;

15.   To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16.   The Audit Committee can request of the Assistant Director – Finance and Corporate Services (S151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;

17.   The Audit Committee will request action through District Executive if any issue remains unresolved;

18.   The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:
http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf

Audit Committee

Thursday 25 May 2017

Agenda

Preliminary Items

1. **Minutes**

    To approve as a correct record the minutes of the previous meeting held on Thursday 27th April 2017.

2. **Apologies for absence**

3. **Declarations of Interest**

    In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. **Public question time**

5. **Date of next meeting**

    Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 22nd June in the Council Chamber B, Brympton Way, Yeovil.

Items for Discussion

6. **SSDC Transformation Programme** (Pages 5 - 11)

7. **Audit Committee Forward Plan** (Pages 12 - 13)

SSDC Transformation Programme

Chief Executive:	*Alex Parmley*
Lead Officer:	*Tracy Winser, Strategic Lead for Transformation*
	Andrew Gillespie, Performance and Governance Manager
Contact Details:	tracy.winser@southsomerset.gov.uk Tel 07884117861
	andrew.gillespie@southsomerset.gov.uk Tel.07971111942

Purpose of Report

This report has been prepared to provide assurance to both Officers and Members about the governance arrangements for the SSDC Transformation Programme, including financial risk management.

Recommendation

That members note the revised governance arrangements of the SSDC Transformation Programme adopted by Full Council in April 2017.

Background

The Council now faces a funding gap of over £4.7 million over the next 4 years. Given the changes and challenges facing the public sector and councils in particular, it is prudent to anticipate that the savings target will grow over the coming years due to factors outside of the Council's control.

The Transformation Programme

To respond to the financial challenge this council has chosen the route of transformation to a Future Operating Model that will maximise both customer service and financial savings. The Council has embarked on an ambitious plan to totally redesign its service delivery to ensure an improved experience for the customer and the communities it serves whilst at the same time reducing the cost to the tax payer. This will be achieved through a radical change in the way our services are designed, the way service teams are structured to support service delivery and by making more use of digital technology including Electronic Document Management (EDM), workflow and web based technologies. Rather than cutting services, this is an investment based approach that will realise genuine efficiencies, whilst also realising improvements in levels of services for customers and modernising service delivery.

Implementation of the agreed business case will deliver:-

- recurring net annual savings of £2,483,925 from an investment of up to £7,448,155 (see Summary tables below)

- a 'fit for purpose' organisation that will be in a position not only to drive continuous improvement but also to generate additional income to fund and support the council's future priorities.

Item	2016/17 £	2017/18 £	2018/19 £	2019/20 £	Totals £
Capital Costs	**44,995**	**1,632,789**	**413,101**	**-**	**2,090,885**
Once-off Programme Revenue Costs	104,699	669,711	538,160		1,312,570
Redundancy Reserve (Target Allowance for redundancy costs & redundancies already agreed)	534,900	1,933,000	1,576,800		**4,044,700**
Total					**7,448,155**

Item	2016/17 £	2017/18 £	2018/19 £	2019/20 £	Totals £
Ongoing Revenue Salary Savings less ongoing IT support costs	59,975	-625,000	-1,222,735	-696,165	-2,483,925

Redundancy Reserve

The Redundancy Reserve should not be seen as part of the Transformation Budget but sits alongside it. Given the financial challenges the council faces, it needs to save on cost. 46% of the council's cost is formed of staff costs. Therefore, whether the Council pursues a Transformation route or cuts services, it will need to provide for a significant number of redundancies.

The Redundancy Reserve is a provision for the eventuality of redundancies. A key part of the programme is to support staff in adapting to change and being prepared for new or changed roles, with a view to minimising the number of redundancies occurring. In addition, there is strict control of recruitment during Transformation with a view to holding vacancies where ever possible. This has led to there being a significant and growing number of vacant posts in the organisation. This will also help minimise the number of redundancies.

Despite these actions, it is prudent for the Council to set aside a reserve for redundancies, given the scale of change it is making.

Risk Assessment

The programme risk assessment log, as shown in Appendix A, is maintained by the Programme Team and used to manage all risks within the programme governance arrangements. It is reviewed on a regular basis by the Programme Team and the Programme Board.

Governance

The programme governance arrangements, as shown in Appendix B:

- set out lines of responsibility and accountability within SSDC for the delivery of the programme;

- give members and officers the ability to manage their interest in the programme at the right level;

- support the programme team to deliver the required outcomes by providing resources, giving direction and by enabling trade-offs and timely decision taking;

- provide forums necessary for issue resolution;

- include clear reporting lines for members and officers so that they can fulfil their roles effectively;

- Create clearer links to the reporting cycles of Council, DX and Scrutiny Committee.

The programme governance arrangements are designed so that decision making is delegated to the most appropriate level, enabling rapid taking and implementation of decisions whilst still retaining high level support, constructive challenge and an overview.

Timescale

The programme will deliver the Future Operating Model and the associated savings by the end of December 2018.

In order to manage this process, effectively maximise benefits and minimise risks, the implementation is divided into phases. Phase 1a Leadership and Management, Phase 1b Support Services, Phase 2 Strategy & Commissioning and Phase 3 Service Delivery & Commercial.

Each phase contains an element of detailed design at the beginning, moving through consultation, interviews, selection and training for new roles. Supporting this activity will be detailed transition plans to ensure as much continuity of service provision as possible. Each phase has a target saving allocated to it based on the analysis of the organisation undertaken in the detailed business case. Monitoring of progress with delivery, the realisation of the programme benefits and the delivery of savings will be undertaken through a quarterly report to the Transformation High Level Steering Group, The Scrutiny Committee and the District Executive.

The indicative timeline can be found at Appendix C.

It is important to note that whilst the future operating model will be implemented by December 2018, there will be significant ongoing work required after this date to ensure the new ways of working are embedded into our culture and that we continue to harness the effectiveness of this new way of working to improve our service delivery.
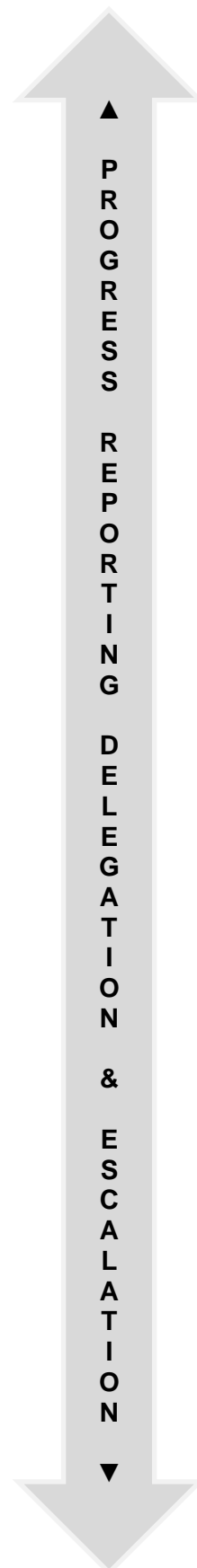
Appendix A - Risk Assessment (May 2017)

Risk >	Score>		Controls >	Actions >	New Score	
R 46 - TP budget overspends	20	High	C 046.1 - Detailed business case C 046.2 - Robust contractual arrangements C 046.3 - Detailed monitoring	A 46.1 - Prepare and present detailed business case A 46.2 - Contracts A 46.3 - Monitoring	14	Med
R 47 - TP Unexpected external cost	20	High	C 047.1 - Review level of corporate priority against the new cost pressure.	A 47.1 - Review	14	Med
R 48 - TP ICT solutions fail to deliver to expectations	20	High	C 048.1 - Achieve "fit for purpose", specification C 048.2 - Use "tried and tested" innovation C 048.3 - Review business continuity / disaster recovery plans	A 048.1 - Complete IT specification A 048.2 Contract monitoring to ensure the specification is delivered	14	Med
R 49 - TP Insufficient capacity to deliver the TP	19	High	C 049.1 - Programme identified as a key corporate priority C 049.2 - Commission external support as required to ensure the TP is delivered in line with the timetable.	A 49.1 - Procurement of external consultancy for blueprinting and detailed design stage A 49.2 – Agree revised business case including capacity for SSDC Programme Team	14	Med
R 50 - TP The shared vision for the TP during periods of significant changes is not maintained	15	Med	C 050.1 - Effective communication strategies to engage with members staff and other stakeholders embedded within TP.	A 050.1 - Implement Communication plan	14	Med
R 51 - TP Organisation transition to the new operating model is not managed effectively.	20	High	C 051.1 - Once decision taken to implement TP create sufficient organisation capacity to achieve programme timeframes.	A 051.1 - Complete programme implementation plan with Ignite	14	Med

Risk			Controls	Actions		
			C 051.2 - Transition Plans			
R 52 - TP Programme management arrangements are not robust or resilient.	20	High	C 052.1 - Maintain appropriate Member and officer TP governance arrangements.	A 052.1 - Continue to review programme governance	14	Med
R 53 - TP loss of ongoing political commitment	20	High	C 053.1 - Ongoing liaison with members to maintain shared vision C 053.2 - Raise awareness of the scale of organisation change and the impact on both members and staff.	A.053.Create Reports, Briefings and Workshops for Members A 053.2 Devise and deliver opportunities for members and staff	14	Med
R 54 - TP Reduced capacity and morale during significant corporate change	15	Med	C 054.1 - TP communication strategy C 054.2 - Ensure that key staff are not lost to SSDC C 054.3 - Performance monitoring C 054.4 - Supporting people through change	A 54.1 - agree KPIs for Transformation Programme	14	Med
R 55 - TP New skills and approaches to work styles are not adopted	20	High	C 055.1 - Support cultural change with a comprehensive corporate training and development programme C 055.2 - Ensure new systems are resilient and stable C 055.3 - TP Communication Strategy	A 055.1 - Complete detailed implementation plan including values and behaviours with Ignite	9	Low
R 56 - TP detailed design fails to meet data privacy/protection or access requirements	15	Med	C 056.1 - Privacy Impact Assessment C 056.2 - Equalities Analysis	A 056.1 - Continue to maintain relevant assessments as part of the blueprinting and detailed design process	8	Low
R 57 – SSDC suffers loss of reputation through temporary increase in service delivery/ performance failures	15	Med	C 057.1 - "Early warning" notification needed to assess and address as quickly as possible	A 057.1 – Managers will escalate unresolved issues to SLT	9	Low

APPENDIX B

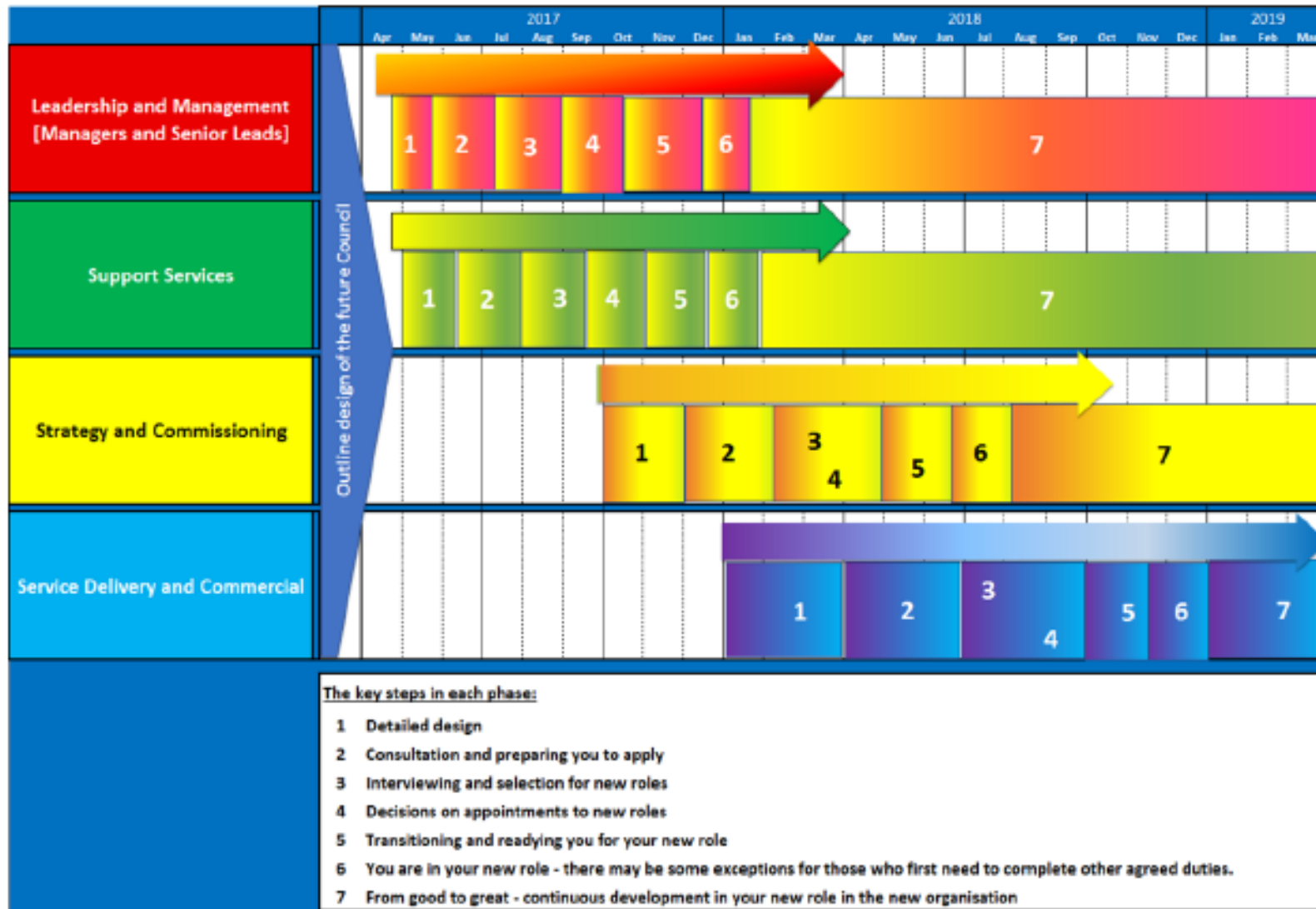## Transformation Programme Governance Structure – from March 2017

Full Council: (will receive an annual report on progress)

District Executive: (will receive quarterly reports on progress)

Scrutiny Committee: (will receive quarterly reports to DX on progress)

High Level Steering Group: (meets quarterly)

Programme Sponsor: Leader – Ric Pallister
Chair: Portfolio Holder (Transformation) – Jo Roundell Greene
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User Representatives:
Portfolio Holders for Specific Service Delivery – as necessary
Portfolio Holder Finance Peter Seib; Scrutiny Members - Sue Steele, John Clark; Other members; Sarah Dyke, Andrew Turpin, Derek Yeomans
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Supplier Representatives:
Chief Executive – Alex Parmley; Strategic Lead for Transformation – Tracy Winser
Specialist professional officers as required

Role:
- provide a high-level strategic steer
- champion the programme to internal/external stakeholders
- create an environment in which the programme can thrive
- set and monitor the overall direction of the programme
- maintain budget control

Programme Team Board: (meets every two weeks)

Programme Portfolio Holder – Jo Roundell Greene; **Senior L/ship Team** – Alex Parmley, Martin Woods, Ian Clarke, Clare Pestell; Strategic Lead for Transformation – Tracy Winser; Programme Manager – Mike Franks; Performance and Governance Manager – Andrew Gillespie.

Role:
- accountable for programme design, workstream implementation and progress
- authorise commitments within the existing financial procedures

Programme Working Group: (meets every week)

Strategic Lead for Transformation – Tracy Winser
Programme Manager – Mike Franks
Performance and Governance Manager – Andrew Gillespie

Role:
- monitor workstream updates
- review and drive progress

Workstream Groups (meet daily or weekly as required)

Workstream Leads: HR - Mike Holliday/ Comms - Mary Ostler/ Service Redesign- Charlotte Jones/Finance-Jayne Beevor IT/ Dave Chubb - IT

Role:
- plan and deliver actions as per workstream briefs

▲ P R O G R E S S   R E P O R T I N G   D E L E G A T I O N   &   E S C A L A T I O N ▼

The Indicative Timeline

The key steps in each phase:

1 Detailed design
2 Consultation and preparing you to apply
3 Interviewing and selection for new roles
4 Decisions on appointments to new roles
5 Transitioning and readying you for your new role
6 You are in your new role - there may be some exceptions for those who first need to complete other agreed duties.
7 From good to great - continuous development in your new role in the new organisation

Making a difference where it counts

Audit Committee Forward Plan

Assistant Director: *Donna Parham, Finance and Corporate Services*
Lead Officer: *Becky Sanders, Democratic Services Officer*
Contact Details: *becky.sanders@southsomerset.gov.uk or 01935 462596*

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee – Forward Plan

Committee Date	Item	Responsible Officer
22 Jun 17	• Annual Treasury Management Activity Report 2015/16 – Needs to go on to Full Council • 2016/17 Annual Governance Statement • Review of Internal Audit • Internal Audit Quarter 1 update report for 2017/18 and the annual opinion report for 2017/17 • Financial Statement training following the meeting • Health, Safety and Welfare (Annual Report) • Risk Register Westlands Projects – Quarterly update • Annual Fraud Programme	Karen Gubbins Paul Fitzgerald Paul Fitzgerald Moya Moore Karen Gubbins Pam Harvey Clare Pestell Lynda Creek
27 Jul 17	• Approve Annual Statement of Accounts • Approve Summary of Accounts • External Audit - Annual Findings Report • External Audit – VFM Conclusion	Karen Gubbins Karen Gubbins Paul Fitzgerald Paul Fitzgerald
24 Aug 17	• Treasury Management – First Quarter monitoring report • Internal Audit – First Quarter Update • Debt Write Offs report • Register of staff interests – annual review	Karen Gubbins Moya Moore Paul Fitzgerald Ian Clarke
28 Sep 17	• Treasury Management Practices	Karen Gubbins
26 Oct 17	• Mid-year review of Treasury Strategy – **Needs to go on to Full Council**	Karen Gubbins
23 Nov 17	• Treasury Management – Second Quarter monitoring report • Internal Audit – second Quarter update • Annual Audit Letter	Karen Gubbins Moya Moore Paul Fitzgerald