



South Somerset District Council

ANNUAL GOVERNANCE STATEMENT 2021/22

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Annual Governance Statement 2021/22

Introduction

South Somerset District Council is responsible for ensuring it conducts its business and delivers services in accordance with the law and to proper standards. It must ensure that public money is properly accounted for and is used economically, efficiently and effectively and must also look to continuously improve how it operates, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

The Council's Annual Governance Statement is a transparent and open review of its governance framework, including the effectiveness of its systems of internal control. This review is not only informed by the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, but also takes into account the work and recommendations of the Council's internal and external auditors over the year. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2021/22 Statement in August 2022. The review was also supported by the work of the Council's Chief Internal Auditor.

2021/22 was a difficult and challenging year for the Council. An anonymous whistle-blower raised some serious allegations about an area of the Council's operations, and they needed to be properly investigated and appropriately addressed. We received the Secretary of State's decision on local government reorganisation in Somerset and our staff had to start focussing on that in addition to their normal activities, the pandemic continued to impact on everyday life, and we had a new senior leadership team. We have faced these challenges together as one South Somerset and, as this Annual Governance Statement shows, can be proud of how we have tackled these issues properly and fairly and demonstrating good governance.

We are pleased to present South Somerset District Council's Annual Governance Statement (AGS) for 2021-22. This Annual Governance Statement will be published on our website alongside the annual Statement of Accounts for 2021-22.

Cllr Val Keitch
Leader of Council

Jane Portman
Chief Executive

This Annual Governance Statement has been produced in accordance with Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015.

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. It must ensure that public money is properly accounted for and is used economically, efficiently, and effectively. It also has a duty to continuously improve the way in which it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency, and innovation.

To meet these responsibilities, the Council has put 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 considering 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 regularly reviews and updates its Local Code of Corporate Governance, most recently through the Audit Committee in October 2019.

The Governance Framework

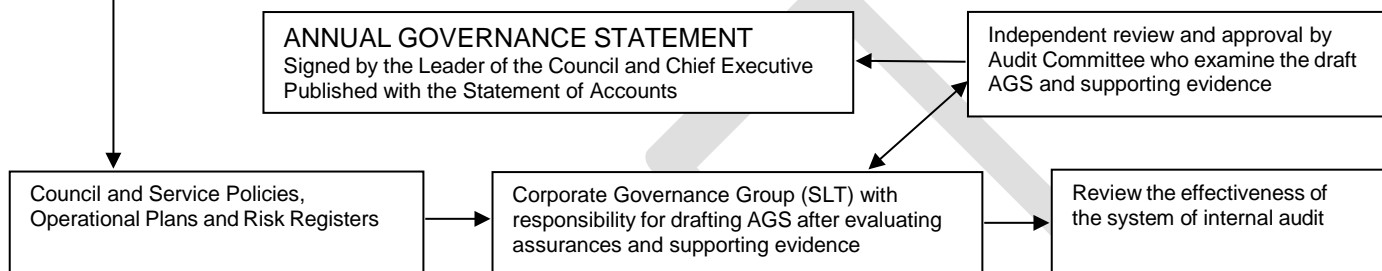
The governance framework consists of the systems, processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables us to monitor the achievement of our objectives and to consider whether these have 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.

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

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

South Somerset District Council – Governance Assurance Framework

Governance Framework – Key Documents/Functions		
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

Following the District Council election in May 2019, the newly formed Leadership Team spent some time reconsidering their priorities for the term. They translated their vision and aspirations into a new Council Plan and Annual action plan. In February 2021, the Council approved its Council Plan 2020 to 2024, and an Annual Action Plan to set out what the Council will do to deliver and progress the agreed priorities for the year ahead.

The Council Plan draws together the administration's vision for South Somerset and sets out its values and aims for the District. It draws together our strategies and priority projects for the year, supported by a revised set of key performance indicators.

Annual Action Plan 2021/22

Council Plan themes and Areas of focus for 2021/22

 Protecting Core Services To ensure a modern, efficient and effective council that delivers for its communities, we will:	 Economy To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy, we will:	 Environment To keep South Somerset clean, green and attractive and respond to the climate and ecological emergency we will work in partnership to:	 Places where we live To enable housing and communities to meet the existing and future needs of residents and employers, we will work to:	 Healthy, Self-reliant Communities To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life, we will:
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The focus for the year 2021/22 was set out in the Action Plan. The five Priority Projects agreed by the Council for 2021/22 are highlighted below and full details can be found on our website:

- 1) Lead the recovery and revitalisation of our economy and communities to be stronger, more resilient and more vibrant than before Covid-19
- 2) Continue to deliver Regeneration Programmes
- 3) Develop proposals to accelerate the delivery of key housing sites and associated infrastructure
- 4) Address child poverty, social isolation and low levels of social mobility across the district
- 5) Accelerate action to adapt to and mitigate the effects of climate change and extreme weather.

The Action Plan has also been developed to include Area Chapters, highlighting key priorities for each area that deliver localised initiatives and improvements that complement the Council Plan themes. The Council 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 flow from the Council Plan.

The Annual Action approved by Full Council can be found at [Annual Action Plan 2021-22](#)

Decision Making and Responsibilities

The 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, together with 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 has 60 elected Members. The Council has adopted an executive governance model, which means most member decisions are taken at District Executive level, either collectively as part of a District Executive meeting or by the Leader or Portfolio Holders in accordance with the

Scheme of Delegation set out in the Constitution. The District Executive is supported and held to account by both the Scrutiny Committee and the Audit Committee.

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 also sets out the role of key officers, including the statutory roles of Chief Executive (Head of Paid Service), Monitoring Officer and Section 151 Officer, 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. The three key officers and the Director of Place and Recovery, the Director of Service Delivery and the Director of Support, Strategy and Environmental Services form the Council's Senior Leadership Team (SLT). All six members of SLT were new in post for the year 2021/22, with the Chief Executive being the last to join in August 2021.

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 approved its current Equality and Diversity Policy in March 2019. SLT took the opportunity to scrutinise the operation of this Policy in 2021/22, which resulted in a refresh of mandatory training for all staff and a re-emphasis of the importance of properly considering the impact of the Council's public sector equality duty on Council proposals.

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.

The Council's risk framework is based on a risk category approach to ensure consistency in risk scoring across the organisation, to provide a clearer route for escalation for risk owners, and improved oversight of risk for management. A standardised risk register template is embedded as part of the report template to encourage utilisation and ownership of risk at the appropriate level of the organisation, and to ensure a standard approach for both project as well as corporate risk management. Update and review of risks is 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 Strategic Risk Register, from which corporate and project risk registers flow. Both the SLT and the Audit Committee have regularly reviewed and challenged the Risk Register during 2021/22.

Financial Management

The Council has a long-established record of effective financial management and managing within our means.

Total net revenue expenditure for 2021/22 was **£17.301m** resulting in a small underspend against the approved budget. Total capital spending for 2021/22 was **£35.499m**; this was £5.041m (12%) less than

the revised budget of £40.540m of planned expenditure agreed by Council in December 2021.

The council holds significant reserves. Revenue earmarked reserves totalled £31.606m as at 31 March 2022 (they were £38.464m as at the end of March 2021). The General Fund Balance was £6.556m as at 31 March 2022 (previous year's position was £4.152m). Capital reserves were £5.183m as at the end of the year (corresponding position last year was £18.222m) after a Full Council decision in December 2021 to use capital reserve to fund the existing capital programme in order to reduce the need to borrow.

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 into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2021/22 and the following year.

The Covid-19 Pandemic

The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce continued to be a challenge in 2021/22. It remains an area of concern looking forward into the coming year.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce but also created new governance challenges. After the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (which enabled the Council to carry out its business in the normal way via remote, virtual meetings using available technology) expired in May 2021, Full Council gave delegated authority to the Chief Executive, in consultation with on-line meetings of the Committees which would otherwise have met in person, to take the decisions those Committees would normally take. Full Council itself began to meet in person from that date. Hosting these meetings virtually continued to be a success and the constitutional ability to do so was particularly helpful during the subsequent lockdowns in 2021/22. This continued throughout 2021/22.

The new risks created by the pandemic described in the Council's Annual Governance Statement for 2020/21, such as the administration of centrally funded business grants, an important support system for local businesses that put considerable strain on the Council's staffing resource, continued into 2021/22.

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 from contracts are delivered.

Following the detailed review referred to in the Annual Governance Statement for 2020/21, on 21 October 2021 the Council adopted a new procurement framework, covering revised Contract Standing Orders, a Procurement Strategy, a Social Value Policy and a Contract Management strategy.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it in accordance with the requirements of the General Data Protection Regulation (GDPR). GDPR came into force on 25 May 2018 and the Council carried out a compliance review in early 2021. Work on implementing the resulting GDPR Action Plan started in 2021/22 and was kept under scrutiny by the SLT. Since this work started there has been a step change in the Council's compliance rates in respect of both data protection and freedom of information requirements. In addition, a comprehensive training programme for all staff was developed in early 2022 and has now been rolled out across the organisation with an 82% compliance rate.

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. In early 2022, the Council worked closely with the other councils in Somerset in preparation for the new Somerset Council to develop a new Member Code of Conduct that was adopted by the County Council in March 2022 and will be adopted by the districts in September 2022. A review of the Council's employee code started in 2021/22 for adoption in 2022/23.

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. The Council's policy was reviewed in April 2021.

In April 2021 the Council received an anonymous whistleblowing allegation containing serious allegations against some Council officers. The Council took this allegation very seriously and commissioned an investigation by its internal auditors into the matters raised. Following the internal auditor's findings, an independent investigator was commissioned to undertake further investigations into the matters raised. As a result of the independent investigator's findings, action was taken, resulting in more than one senior officer leaving the Council's employ. Due to the leak of a confidential document, the Council was subjected to extensive press coverage and some criticism. A comprehensive action plan to address the issues uncovered as a result of the various investigations flowing from the whistleblowing complaint has drawn up and it will continue to be implemented in 2022/23 under the oversight of the Audit Committee.

Counter Fraud

The Anti-Fraud Policy makes it clear that the Council will not tolerate any form of fraud, corruption, or bribery. It provides for deterrents, 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. The Council participates in the National Fraud Initiative, which compares data from a range of organisations to identify potential fraud or error cases.

The Council introduced compulsory training in this area for all staff during 2021/22.

Commercial Services and Investment

The Council revised its Commercial Strategy in 2021/22 to take account of the revised Prudential Code and guidance on commercial investment for yield. The revised strategy continues to encourage the Council to operate in a more commercial way and focus on funding through direct income (e.g. sale, fees, and charges).

As part of the original 2017 Commercial Strategy, appropriate governance was put in place to oversee and manage a new Investment Fund to build a portfolio of commercial investment properties. Although the Council no longer invests in new assets, it continues to prudently manage its investment portfolio in accordance with the governance arrangements set out in the Constitution. The Council approved an updated Capital Strategy and Investment Strategy in February 2021, following the requirements of the Prudential Code and statutory investment guidance.

Group Operations

This is the second year that the Council has included group operations in a separate section in the Statement of Accounts. The rationale being that they are deemed materially significant and it is appropriate to give more prominence to the performance of these arrangements.

Group operations are subject to the same scrutiny and governance requirements as the single entity operations in that the Council ensures an appropriate level of transparency is maintained and that decisions are made at arm's length. The division of duties and avoidance of conflict of interest is maintained through the appointment of Directors on the Board of SSDC Opium Power Ltd who do not have delegated powers of approval for the Council to make treasury decisions or to approve specific schemes. Any lending to the group is done at arm's length and at market rates thus avoiding unfair competition.

Regeneration Programmes

The Terms of Reference for the Strategic Development Board and the Project Boards were re-drafted and adopted in September 2021 to clarify the delineation between programme and project oversight. Governance arrangements were improved to ensure that decisions involving a change to cope, quality, timings, or budget were reviewed and agreed at District Executive and Full Council. These arrangements improve transparency around decision-making and deliver a record of decisions for audit purposes.

The four Regeneration Project Boards – for Yeovil, the Octagon Theatre, Chard and Wincanton – have continued to make significant progress with the individual projects, notably delivering a completed new-build leisure centre for Chard in November 2021, together with public realm improvements and an adopted shop front design guide, which is now a Supplementary Planning Document. The Yeovil Refresh has started to deliver visible change in the town centre and RIBA stage 2 plans are in place for the Octagon Theatre re-development.

- The SDB comprises:
- Leader of the Council
- Portfolio Holders covering Finance, Economy, Place
- Chairs of the Chard, Yeovil, and Wincanton Regeneration Project Boards
- Chief Executive Officer
- S151 Officer
- Director, Place and Recovery

Its key purpose is to:

- To help shape and have oversight of strategic development in the district to ensure the relevant ambitions of the Council are being delivered
- Provide continued commitment and endorsement in support of the programme objectives at executive and communications events: championing the programme
- Assure there is appropriate governance and strategic oversight and monitoring of our regeneration programme by senior Elected Members and relevant Council Officers
- Regularly review, both at individual project and at whole programme level, the total costs being incurred, future estimated costs, and project funding plans
- Ensure that any deviations which negatively impact on the Council's financial position are referred to DX/Council for a decision
- Review strategic risks to ensure activity remains within our risk appetite and mitigations are in place
- Authorise individual projects in the Programme to continue at each decision-point if they are within the financial and scope parameters agreed by Council for the project
- Resolve strategic and directional issues between projects, that need the input and agreement of senior stakeholders to ensure progress
- Critically review any Regeneration Project Business Case prior to it being submitted to Council for approval
- Agree criteria for Allocation of CIL funding, review alternative bids for funds, determine allocation of funds on an annual basis

The Strategic Development Board has taken reports on progress on the Area Boards and the local Plan during 2021/22 and progress with the Regeneration programme is reported through the Council's performance management systems.

The Somerset (Structural Changes) Order 2022

For several years the future of local government in Somerset has been under review, with the district councils proposing two unitary councils (Stronger Somerset) and the county council proposing one (One Somerset). In July 2021, the Secretary of State notified the councils that One Somerset would be taken forward. Although this was somewhat disappointing news for Members of this Council, we fully and immediately cooperated with the other Somerset councils to set up an LGR Joint Committee, an LGR Joint Scrutiny Committee and an LGR Advisory Board to enable us to collaborate on plans for the new Council in advance of the Order, which passed into law in March 2022.

Conclusion

South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting its priorities and risks. A main priority for 2021/22, in addition to the reviews referred to in this statement, was dealing with the issues raised by our investigation into the anonymous whistleblowing complaint and ensuring that the actions we took were prudent, fair and proper and in the best interests of the Council and the people of South Somerset. We also continued to focus on providing effective and resilient services in the face of the Covid pandemic alongside initial preparations for the challenge of implementing the Secretary of State's decision to establish a new unitary authority for Somerset on 1 April 2023.

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.

Improving Governance Actions

Although the whistleblowing complaint has resulted in a review of several key governance related policies, such as the employee Code of Conduct, it was centred on a particular area of Council

activity and no evidence was found to suggest the issues uncovered were endemic within the Council. There are no other significant governance issues to report for 2021-22. It is the assessment of the Senior Leadership Team that overall the Council's operations and projects have been managed effectively. Assurance is taken not only from the outcome of the internal audit plan and auditor's opinion but also from the Council's swift reaction to and measured and proportionate response on the outcome of the whistleblowing investigation.

Improvements and key actions in governance during 2021/22 that have not been covered in the narrative above include:

- Risk Management: Ongoing work involved further development of the risk management approach to include opportunity analysis, refinement of the risk framework with guidance from SWAP and Zurich Risk Management, as well as improving engagement with the Audit Committee to provide updates during the latter part of the year on the risk profile, which continue.
- Digital Strategy: Work to implement the Digital Strategy continued from 2020/21. The restructured Digital Team set up the Technical Design Authority (TDA), which is an in-house board that scrutinises proposals for new technology. The TDA provides an audit trail for all significant decisions made regarding the Council's technology estate. In addition, the newly established Change Advisory Board (CAB) creates a gateway for changes to the live environment to ensure due diligence is followed in the areas of operational effectiveness, customer/user impact, and cyber security. As expected, the focus of effort began to shift at the end of 21/22 towards aligning digital strategies across the five Somerset Councils as part of the Local Government Reorganisation Programme