

Appendix A

West Somerset Council

**Annual Governance Statement
2018/19**

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Introduction

This is West Somerset 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 review for the 2018/19 statement was carried out in February 2019 by officers of the Corporate Officers Governance Group. This is made up of the Head of Performance and Governance, the Internal Audit Manager, Section 151 Officer, Monitoring Officer and the Corporate Strategy & Performance Officer.

The Statement will be published on the Council's website alongside the Council's Statement of Accounts.

This is a significant period of change. Following agreement of the Secretary of State in March 2018, Government has agreed that a new Council will be formed on 1 April 2019 that will replace both Taunton Deane Borough Council and West Somerset Council. As part of the transition, shadow governance arrangements have operated with responsibility for the preparation and implementation of the new Council and the dissolution of TDBC and WSC on 1 April 2019. These arrangements are summarised within this Statement.

In addition, TDBC and WSC have continued their joint transformation programme, which seeks to deliver improved services for customers through new, more modern and efficient ways of operating. This is also the planned approach to meeting the financial challenges and ensuring our services are sustainable and affordable for the foreseeable future.

Usually the Annual Governance Statement is approved around the same time as the annual statement of accounts, however the legislation supporting the creation of the new council requires both TDBC and WSC to approve their AGS by 31 March 2019. The S151 Officer will advise the relevant committee of the new Council, with responsibility for approving the legacy Councils Statements of Accounts, of any significant matters between the approval of the AGS in March and the approval of the Statement of Accounts (anticipated in July 2019).

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 way 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, as follows:

- 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 optimize 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 Governance Framework

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts 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.

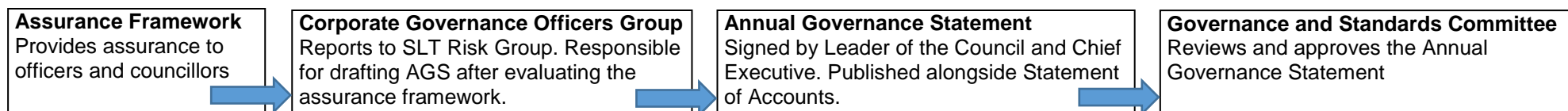
This framework is applicable both for the current Council – West Somerset Council – and its successor from April 2019 – Somerset West and Taunton Council. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, 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.

West Somerset Council – Governance Assurance Framework

Key Documents / Functions		
<ul style="list-style-type: none"> • Constitution • Council Procedure Rules • Councillor Code of Conduct • Employee Code of Conduct • Officer and Councillor protocols • Schedule of Council Meetings • Record of Decisions • Local Code of Corporate Governance • Annual Governance Statement • Complaints and Compliments Procedures • Ombudsman Reports 	<ul style="list-style-type: none"> • Information Strategy • Information Governance Framework • Information Commissioner’s Reports • Corporate Plan • Operational Plans • Risk Management Framework • Risk Registers • Performance Management Framework • People Strategy • HR Policies • Personal Development Plans 	<ul style="list-style-type: none"> • Financial Regulations • Contract Regulations • Financial Strategy • Capital Strategy • Treasury and Investment Strategies • Medium Term Financial Plan • Statement of Accounts • Internal and External Audit • Anti-Fraud, Bribery and Corruption Policies • Anti-Money Laundering Policy • Whistleblowing Policy



Performance Management	Risk Management	Legal/Regulatory Assurance	Councillor Assurance	Management Assurance	Other Sources of Assurance	Financial Management	Internal Audit	External Audit
Corporate Plan	Risk Management Strategy	Monitoring Officer and Solicitor	Governance and Standards Committee	Strategic Leadership Team	Ombudsman Reports	Financial, Capital, Treasury and Investment Strategies	Annual Audit Plan	Audit Plan
Operational Plans	Risk Registers	Data Protection Officer	Scrutiny Committee	Corporate and Operational Plans	Information Commissioner Decisions	Medium Term Financial Plan	Audit Findings reports	Statement of Accounts Opinion
Performance Indicators	Business Continuity Plans	Anti-Fraud, Bribery and Corruption Policies	Constitution	Performance Monitoring	Contract Monitoring	Revenue and Capital Budget and control	Annual Audit Opinion	Value Money Conclusion
Complaints / Compliments	Civil Contingencies Partnership	Anti-Money Laundering Policy	Code of Conduct	Financial Monitoring	Fraud Investigation Service	Statement of Accounts	Assessment of Audit Effectiveness	Audit Findings Report and Annual Audit Letter
Customer satisfaction rates	Insurance Policies	Whistleblowing Policy	Interests Register	Performance Reviews		Treasury performance and compliance monitoring	Audit advice	Public Inspection of Accounts / Public Interest reports
	Robust Budget and Reserves	RIPA Policy		Review effectiveness of internal control systems				

The Corporate Strategy and Plan

In February 2016 the Council approved its Corporate Strategy. The Strategy provides a clear direction for the Council to follow, with four key priority areas where the Council will concentrate its efforts and resources between April 2016 and March 2020.

The key elements of the Strategy are:

- Refreshed high-level Corporate Priorities for the Council
- Design principles for our organisation
- Refreshed vision
- Clarity on the role and purpose of the Council

The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

The Corporate Plan 2017-18 was approved by the Council in October 2017 and the Plan for 2018-19 was a continuation of this. It sets out our priorities and success measures we will use to monitor progress, organised into key themes of:

- Key Theme 1 – People
- Key Theme 2 – Business and Enterprise
- Key Theme 3 – Our Place
- Key Theme 4 – A Modern and Efficient Council

Decision Making and Responsibilities

The Council consists of 28 elected Members, with an Executive Board of Lead Members who are supported and held to account by Scrutiny Committees. 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 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 West 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.

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 is especially important as the Council goes through its Transformation programme.

Senior management meet to identify the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Each Service Area also keeps a separate risk register for its area. These registers also record the controls necessary to manage the risks. The registers are regularly reviewed and challenged by senior management and by the Audit Committee. Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Financial Management

The Council has a long establish 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 further Government plans to cut public spending.

The Council has worked in partnership with Taunton Deane Borough Council since 2013 to share management and staff across the two Councils. Together this partnership has resulted in efficiencies and produced annual savings of £1.8m.

In 2016 the two Councils agreed a High Level Transformation Business Case which 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 Councils have also obtained agreement from the Secretary of State to create a new Council from April 2019 that will create a new district and Council area currently covered by the two. The financial implications for the business case were refreshed in December 2018, with the new Council and transformed services producing further savings of £3.5m per year.

West Somerset has a balanced budget for 2018/19, and the new Council has in February 2019 set a balanced budget for 2019/20 with a broadly balanced position projected throughout the 5-year Medium Term Financial Plan.

The Strategic Finance Advisor and 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.

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.

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.

Counter Fraud

Our Counter Fraud Strategy 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.

In 2017 West Somerset entered into a Counter Fraud Partnership with Powys County Council who undertake counter fraud investigation work on behalf of the council. This has proven to be a very effective partnership with improvement in fraud prevention and detection being evident. The costs of the service are funded by the savings delivered through prevention and detection.

Transformation

Both Taunton Deane Borough Council and West Somerset Council agreed a High Level Business Case for Transformation in the summer of 2016. Programme and project management arrangements have been in place with a SRO appointed from the Leadership Team and programme management roles required to lead the programme and various workstreams. There has been regular engagement with Members at a Programme level through the Joint Partnership Advisory Group (JPAG), comprising Members from each Council, which has acted as a steering group and enabled Member consultation as the programme has progressed.

A series of “Making A Difference” events have been open to all Members, providing regular opportunities for raising awareness of progress and consultation at various stages.

In July 2018 the Councils agreed to new Governance arrangements which saw the dissolution of JPAG following the establishment of the Shadow Council arrangements (see below). At the same time it was agreed that progress in delivering the Transformation Programme would be reported to the Shadow Scrutiny Committee. This change provides openness and transparency to Members and the public.

The Transformation Programme provides a major whole-organisation change process with a new operating model (staffing structure), new technology, and extensive changes to business processes. The Programme management arrangements include regular review and updating of risks to ensure these are appropriately managed.

Creating a New Council and Shadow Governance Arrangements

Taunton Deane and West Somerset councils submitted an application to Government in March 2017 request agreement to create a new single district Council to replace the two. Following a period of consultation the Secretary of State announced approval of this change in March 2018.

This was followed by the making of the Somerset West and Taunton (Modification of Boundary Change Enactments) Regulations 2018 and the Somerset West and Taunton (Local Government Changes) Order 2018 on 25 May, 2018, which resulted in the Somerset West and Taunton Somerset Council came into being on 26 May 2018.

The Order requires the Shadow Council to prepare and keep under review an Implementation Plan to ensure that the new council is properly established on 1 April 2019. The Shadow Council at its first meeting held on 7 June 2018 duly agreed a governance structure, including a Shadow Executive, a Shadow Scrutiny Committee and New Council Working Group to ensure that mechanisms are in place for member engagement and decision making in this process going forward. Four Sub-Groups of the New Council Working Group have subsequently been in operation covering Constitution and Governance, Electoral Review, Policy and Service Alignment, and Finance.

The Shadow Council has established Shadow Governance arrangements including a Constitution for the Shadow Somerset West and Taunton Council. The new Council will formally come into being on 1 April 2019. The Shadow Executive will maintain responsibility for the management of the Council until the elections in May 2019 following which a new Full Council and its various committees will be created. In addition there is also a Shadow Scrutiny Committee and a Shadow Governance and Standards Committee.

The Central Implementation Team (CIT) comprising the Chief Executive, Interim Monitoring Officer and Interim S151 Officer, are responsible for ensuring the necessary preparations are completed to ensure the new Council is legal, safe and functioning from 1 April. The CIT has been supplemented with project management and legal capacity, and relied on many officers of the existing Council to progress all the work necessary.

A detailed implementation plan has been maintained, with weekly meetings to monitor and control progress. The Member Working Groups have provided extensive opportunity for consultation and Member engagement in the process for example with the development of a new Constitution and a wide range of policies. The first Full Constitution for the new Council has been presented to Shadow Full Council for approval on 26 March 2019.

Conclusion

This is the last Annual Governance Statement for West Somerset Council, with the Council being dissolved on 31 March 2019. The main priorities for the past year have been focussed on continuing to provide effective and resilient services, progressing the major changes through Transformation and preparing for the implementation of the new Somerset West and Taunton Council.

A key focus for the next 12 months will be to secure effective governance and controls arrangements for the new Council and to drive continuous improvement through ongoing programme, operational, and financial control. The new Council will need to establish its own approach to risk management and risk appetite, and refine its business controls to ensure the ambitions of the new operating model and improved services to customers can flourish.

Improving Governance

Action Plan 2018/19 – Progress Report

Actions that were planned for 2018/19	Progress	Status
<p>To implement and develop our new Risk management culture.</p>	<p>The implementation and development of our new Risk Management structure won't be achieved in the existing structure by the end of March.</p> <p>However good progress has been made during this transitional year. Implementation Teams are now meeting weekly and Project Managers in the new Commercial, Investment and Change (CIC) area are actively looking at risk. Internal Audit has also been adapted to reflect the new structure that comes into place from April.</p> <p>In addition a "Healthy Organisation" audit was conducted in December/January looking at 7 areas of the business including Corporate Governance and Risk Management resulting in a Medium Assurance rating.</p>	<p>Ongoing</p>
<p>To implement the Corporate Governance process for the Shadow Council and the new transformed Council.</p>	<p>Shadow Council, Executive, Scrutiny and Governance committees have been established throughout the existence of the Shadow Council and the constitution for the Shadow Council has been adopted and followed. Various policies and key decisions have been taken as necessary for the new council, for example, budget setting and tax setting and several policies have been approved.</p> <p>A Shadow Governance and Standards Committee has been set up. There is also a New Council Working Group providing councillors with the opportunity to informally discuss matters relating to the establishment of the new council. The Working Group have set up a number of Sub-Groups, including the Constitution Sub-Group. The drafting of a new constitution for the new council is well under way. The complete draft new Council Constitution Document will then be submitted for formal adoption at the meeting of the Shadow Council on 26th March, 2019 ready to come into effect on 1st April, 2019.</p>	<p>Ongoing</p>

Action Plan for 2019/20

	Action now planned for 2019/20	Timescale for Completion	Monitoring Body
1	Establish an effective Audit Committee for the new council through Member and Senior Officer Development and to adopt the principles set out in the Local Code of Corporate Governance.	March 2020	Corporate Governance Officer Group
2	Develop and implement a risk management framework and meaningful culture within the new council structure	March 2020	Corporate Governance Officer Group
3	To ensure the appropriate controls are in place with regards the Council's new ways of working	March 2020	Corporate Governance Officer Group

This is an Action Plan of particular governance priorities that the Council will address during 2019/20.

Statement of Opinion

The opinion of the Internal Auditor was that overall the control environment was reasonable in 2018/19 (the opinion was also "reasonable" in 2017/18).

The Council has assessed its overall governance arrangements remain adequate and fit for purpose.

Some areas where further improvements could be made have been identified and have been included within the 2019/20 Action Plan which is proposed to the new Somerset West and Taunton Council to address during the 2019/20 financial year.

It is our opinion that the Council's governance arrangements in 2018/19 were sound and give reasonable assurance in order to achieve the new Council's priorities and challenges in 2019/20.

SIGNATURES

Signed on behalf of West Somerset Council

James Hassett
Chief Executive

Cllr Anthony Trollope-Bellew
Leader of the Council