

## Annual Governance Statement 2014/15

### SCOPE OF RESPONSIBILITY

1. Suffolk County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards to secure continuous improvement in the way in which its functions are exercised. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
2. In discharging this overall responsibility, the Council is responsible for putting proper arrangements for the governance of its affairs in place and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework '*Delivering Good Governance in Local Government*'.
4. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control.
5. Eastern Facilities Management Solutions Ltd (EFMS), Concertus Property & Design Consultants (Concertus), and Opus People Solutions (Opus) are wholly owned companies of the County Council. EFMS, established in August 2011, provide a diverse range of facilities management services to customers in both the public and private sectors. Concertus, established in April 2013, provide expertise and knowledge of innovative, cost effective solutions tailor-made to meet client needs, and comprises: architectural design; landscape design; building services engineering; quantity surveying; and estates & project management. Opus, established in May 2014, is a local government temporary worker recruitment service. The governance arrangements for EFMS, Concertus and Opus are incorporated within this Annual Governance Statement.

### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

6. The governance framework comprises:-
  - a) the systems and processes, culture and values by which the Council is directed and controlled; and
  - b) its activities through which it accounts to, engages with and leads its communities.
7. The framework is used to examine the services being provided and whether they are satisfying the objectives set.

8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

## THE GOVERNANCE FRAMEWORK

10. The key elements of the systems and processes that comprise the Council's governance arrangements are:
  - a) Members exercising strategic leadership by developing and keeping under review the five corporate priorities of the Council. The priorities give a clear direction for what is important politically and how that feeds into the work the Council does every day. The five priorities are:
    - i) Raise educational attainment and skill levels;
    - ii) Support the Local Enterprise Partnerships (LEPs) to increase economic growth;
    - iii) Maintain roads and develop Suffolk's infrastructure;
    - iv) Support those most vulnerable in our communities; and
    - v) Empower local communities.
  - b) An established integrated planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
  - c) Measuring performance in achieving objectives through the Council's performance management system;
  - d) Having a written Constitution which specifies the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
  - e) Having developed and embedded Codes of Conduct which define the standards of behaviour for members and employees;
  - f) Setting out, within the Constitution, Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures which clearly define how decisions are taken and the processes and controls required to manage risks. Also, having in place arrangements to ensure these are reviewed regularly;
  - g) Having an Audit Committee which promotes and maintains high standards in relation to the operation of the Council's Code of Corporate Governance, and ensures that the Council operates within the law, in accordance with the



Council's internal procedures and follows the framework and guidance issued by CIPFA. The Committee is also responsible for monitoring and maintaining the risk management framework and the associated control environment and also ensuring that the Council's financial and non-financial performance is properly monitored;

- h) Appointing statutory officers to support and monitor the Council's governance arrangements, ensure expenditure is lawful and guarantee compliance with relevant laws and regulations, internal policies and procedures;
- i) Having embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users; and
- j) Having a programme of actions which aims to keep communities informed; support people to be involved in their local communities; promote local democracy; support communities in shaping places and services; improve the Council's understanding of how communities work and coordinate community engagement activity.

## **REVIEW OF EFFECTIVENESS**

11. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the three lines of defence (i.e. from the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit; inspections made by external auditors and other review agencies and inspectorates).

### **Opinion of the Director of Resource Management / Chief Finance Officer (Geoff Dobson)**

12. Local authorities are subject to a range of safeguards to ensure they do not over-commit themselves financially. These safeguards include the statutory role of the Chief Finance Officer (CFO). The statutory duties include the requirement to report to Council if there is, or is likely to be, unlawful expenditure or an unbalanced budget (under Section 114 of the Local Government Act 1988). These duties are contained in the Financial Regulations which form part of the Council's constitution.
13. Other safeguards include:
  - a) the statutory requirement for each local authority to set and remain within prudential limits for borrowing and capital investment; and
  - b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93).
14. The Council is also fully compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the CFO in Public Service Organisations. This can be viewed at <http://www.cipfa.org/Policy-and-Guidance/Reports/The-Role-of-the-Chief-Financial-Officer-in-Local-Government>



15. The most recent Audit Results Report from Ernst & Young, covering the 2013-14 accounts and presented to the Audit Committee on 30 September 2014, gave the Council an unqualified opinion on its statement of accounts. The report also confirmed that the Council has robust systems and processes for securing financial resilience and that proper arrangements are in place for securing economy, efficiency and effectiveness.
16. The Council continues to face significant grant reductions as a result of the government's deficit reduction programme. By the end of 2014-15, about half of its deficit reduction plan will have been implemented and it is expected to continue until at least 2018-19. Therefore the Council has taken a medium term view and has set out to address the forecast grant reductions and spending pressures through a series of transformation programmes and other operational reductions that will fundamentally change how services operate and how the organisation is run. As the Council has already delivered savings in excess of £130m each year, the challenge becomes harder. The delivery of further savings is dependent on demand for services being managed down and working effectively with partners.
17. Further details on financial risks and mitigation strategies are contained within the Report by the Director of Resource Management which accompanied the report to Council on the Revenue Budget 2015-16:  
[http://committeeminutes.suffolccc.gov.uk/LoadDocument.aspx?rID=0900271181672c59&qry=c\\_committee%7e%7eCounty+Council](http://committeeminutes.suffolccc.gov.uk/LoadDocument.aspx?rID=0900271181672c59&qry=c_committee%7e%7eCounty+Council)
18. The opinion of the Director of Resource Management is that the Council continues to operate sound financial management practices as evidenced by both internal and external audit reports together with its regular reporting on budgetary control. There has been no reason for the Director of Resource Management to exercise his statutory powers and the Council complies with its financial regulations and procedures together with relevant codes of practice / guidance.

#### **Opinion of the Monitoring Officer (Tim Ryder)**

19. The Council has a Constitution made under Section 37 of the Local Government Act 2000. Its purpose is to enable the Council to set a strategic vision for the provision of public services in Suffolk and to act as champion for Suffolk; and to ensure that decisions are taken within the law and that local people have every opportunity to know how decisions are taken and how to influence those decisions.
20. The role of councillors as community leaders and representatives remains central to the effective operation of the Council. The last full election of all 75 councillors took place in May 2013. A by-election was held in May 2015. The political groups are now represented as follows: Conservative 38; Labour 15; UKIP 9; Liberal Democrat and Independent 8; Green and Independent 3; and Independent 2.
21. An extensive induction programme is delivered to new councillors, providing guidance on their roles and responsibilities, and explaining how the Council is structured and its decision making processes. Councillor training and development is considered by the Democracy Working Group, overseen by the Audit Committee.



22. The Council adopted a fully reviewed Constitution in March 2013. During 2014/15, more significant amendments have been made with regard to the following: Pension Boards for the Local Government and Fire Pension Schemes; Governance arrangements for Companies wholly owned by the Council; Procurement Regulations; Filming of Council meetings; and the arrangements for public questions. All changes were considered by the Constitution Working Party before recommendations were made to Council.
23. Four complaints alleging that councillors had breached the Code of Conduct were considered during 2014/15. Following review, the Monitoring Officer concluded that no further action was required on three of these. One complaint was upheld and the councillor apologised to Council for his conduct.
24. In January 2015, a training event was held for the Independent Persons appointed by the Suffolk Councils to give their opinions when complaints about councillor conduct are received (as required by the Localism Act 2011). This was a useful event to bring the independent persons together to share experiences and provide an update. These events will continue to be repeated in the future at regular intervals.
25. The Local Government Ombudsman's (LGO) Annual Review Letter for the year ended 31 March 2014, issued in July 2014, was presented to the Audit Committee in September 2014. During the reporting period of the Annual Letter the LGO made final decisions on 89 complaints about the County Council.
26. Of the 89 decisions made, 25 (28%) were forwarded for investigation. Following investigation, 14 of the 25 complaints (56%) were upheld compared to 46% nationally. The remaining 11 complaints were not upheld.
27. In one of these cases the LGO found maladministration. This case related to complaints against Suffolk County Council, the Norfolk and Suffolk Foundation NHS Trust, Essex County Council and the North Essex Partnership Foundation NHS Trust regarding their handling of a safeguarding investigation. A detailed report on this matter was presented to the Audit Committee.
28. The Monitoring Officer's assessment, overall, is that the Council has complied with its Constitution and that the governance arrangements are sound. The values embedded in the Code of Conduct define the standards of behaviour for all councillors. Councillors continue to attend a wide range of briefings and training sessions. The Audit Committee has played a key role in ensuring that systems and processes within the Council are adequate. Strong project management techniques are being adopted within the Council's major transformation programmes.

#### **Opinion of the Head of Audit Services (Peter Frost)**

29. Based on the findings of the managed audit and governance reviews together with other operational audits carried out throughout 2014/15, it is the opinion of the Head of Audit Services that the Authority's control environment provides assurance that the significant risks facing the Authority are addressed and financial administrative systems are effective.



30. Risks associated with fraud and corruption are managed effectively across all parts of the organisation.
31. The Head of Audit Services has performed his duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

**Opinion of the Assistant Chief Executive (Chris Bally)**

32. At a time of reducing resources and significant change, it is critical that the Council is able to assess the impact of this difficult environment on its services. Councils have been encouraged to develop their own performance measures and set their own local targets to help track progress against their service priorities and transformation plans. High quality, reliable performance information helps councils to demonstrate the impact of change on service delivery, particularly in times of limited resources.
33. Despite the absence of a nationally-prescribed performance and assessment framework, local authority services continue to be externally regulated to a considerable extent. Consequently the Council is required to submit a considerable number of statutory data returns, mainly relating to social care services for children and adults. This data is used extensively by statutory agencies, such as Ofsted and the Care Quality Commission (CQC). Furthermore, under the Government's new Code of Practice for Transparency, the Council also has to publish a range of 'open data' relating to spending, senior staff salaries, fraud, property assets and procurement.
34. Good progress has been made in 2014/15 in further developing and embedding the Council's local performance management and reporting arrangements. The Council's overall approach is outlined in the Corporate Planning and Performance Framework, which is reviewed and updated annually. The Corporate Planning & Performance Board, which was established in 2012, oversees the Council's planning, performance, risk and business intelligence processes. The Board meets quarterly to align with the performance reporting cycle and includes senior officer representation from each service directorate as well as relevant corporate teams including Finance, HR, Audit, Business Development and Information Management.
35. Performance reporting is well-established throughout the Council's various tiers of management. Corporate performance reports are considered by the Corporate Management Team (CMT) and Leadership Team (CMT and the Cabinet) on a quarterly basis. These performance reports are based on a 'balanced scorecard' approach that brings together a wide range of service performance information and other intelligence, which allows performance to be assessed 'in the round'. Corporate performance reports include the following elements:
  - a) Corporate Health – finance, workforce, equalities and inclusion, health and safety, and risk



- b) Service Performance – performance measures aligned to the Council's corporate priorities
  - c) Customer Insight – customer satisfaction surveys, complaints and compliments and performance of the Council's digital services
  - d) Corporate Programmes – progress updates on each of the Council's key transformation programmes, e.g. Raising the Bar, Local Response, Health and Social Care Integration
  - e) Place-based Performance Profile – focusing on a particular community or locality where there are particular concerns or a high degree of public sector intervention.
36. There are now a number of online benchmarking resources that provide comparative statistical information to help local authorities monitor and assess their performance. These include the Local Government Association's 'LG Inform' service, the Health & Social Care Information Centre, the Public Health Outcomes Toolkit and Local Authority Interactive Tool. In Suffolk, these are used to provide valuable contextual information for performance reporting, identify priorities for spending and areas of 'best practice'. In addition, the Suffolk Observatory [www.suffolkobservatory.info](http://www.suffolkobservatory.info) provides a rich source of data, information and reports about Suffolk's economic, social and environmental conditions.
37. Reporting performance against service priorities at directorate management team (DMT) level is now fully embedded across the organisation, with reports discussed on at least a quarterly basis and monthly for Children & Young People's Services and Adult & Community Services. During 2014, reports have been designed for the first time for the Public Health and Resource Management directorates. Whilst directorates adopt a reporting style that best fits their individual circumstances, they consider service performance alongside other key business intelligence in line with the 'balanced scorecard' model outlined above.
38. All directorates are also required to produce an annual plan which sets out their priorities and main activities for the coming year.
39. During 2014/15, there has been a concentration on further embedding the Council's Active Risk Management (ARM) approach across the organisation and ensuring that is an integral part of the Council's performance management, business planning and programme management processes. Ensuring that the Council's risk database system (JCAD Risk) provides an accurate reflection of the major threats and issues facing the Council ensures that management teams are able to take effective and timely mitigating actions. Regular monitoring of the Corporate Risk Register by CMT provides assurance that the most significant risks are included on the Register. Similarly, DMTs review their own risks regularly and in a timely manner, either as part of or alongside their performance reports. Risk management is an important part of the Council's transformation programme portfolio.
40. It is clear that risk management is becoming more widely adopted, and there is good evidence of a genuine appreciation of the benefits of risk management as managers at all levels become increasingly familiar with it. This is reflected in the judgement by the Council's Audit Services in October 2014 that the Council's risk management arrangements are 'Effective'.



41. The Assistant Chief Executive presented the annual performance and risk report to the Council's Audit Committee in January 2015. The Committee concluded that satisfactory arrangements were in place for the effective management of performance and risk.
42. It is important to recognise the advances in performance and risk management given the significant reduction in resources across the Council in recent years. There are likely to be further pressures as a result of the financial difficulties the Council continues to face. However, these pressures continue to be well managed and the overall assessment of the Assistant Chief Executive is that the Council's arrangements for the management of business planning, performance and risk at the current time are sound.

**Opinion of the Head of Human Resources (HR) (Sally Marlow)**

43. HR enforces the Council's restrictions on pay, recruitment and re-engagement rigorously.
44. A new HR Service was established during 2014/15 as Customer Service Direct (CSD) colleagues returned to the Council. At the same time, some changes were made to how the HR service is delivered and how employees access advice and information. A new HR Information System has now been implemented which encourages increased self-service for all staff. Employees are also expected to make full use of on-line support for regular and straightforward HR issues. Such advancements also help the service to deliver savings, as targeted through the Support Services Transformation Programme. Additionally, work has been done to actively support the Transformation Portfolio through the provision of good HR and Organisational Development (OD) support on specific programmes.
45. Work has progressed to implement further aspects of the collective agreement with Unison on pay-related matters and the performance management framework continues to embed across the organisation. Work continues to make best use of training budgets whilst better articulating how employees and their roles need to change to face new challenges. This will be taken forward in 2015/16 through a new HR Strategy which focuses on increased collaboration and integration across partner organisations in Suffolk.
46. The Head of HR's assessment overall is that there are sound processes and procedures in place to ensure HR work is contributing well to the corporate agenda.

**Opinion of the Assistant Chief Executive (in capacity as Chief Information Officer) (Chris Bally)**

47. During 2014/15, the IT Service has been transferred from the CSD Joint Venture. It has established new management arrangements, set-up new financial systems and budget arrangements, including establishing a capital programme for maintenance of the Council's IT infrastructure and introduced new arrangements for requests for new IT work. Achievements include the completion of the IT Technology Strategy, the launch of the new Human Resources Information System, upgrades to CareFirst 6 (the Council's main line



of business system for Adults and Children's Care) and ongoing compliance with national mandated IT and Information Management regimes.

48. Local government is subject to a number of compliance regimes around IT and information management. These include the Public Services Network, which allows secure connection between central and local government IT systems and Payment Card Insurance, which allows the Council to take card payments for services. During 2014/2015, the County Council demonstrated compliance in both areas.
49. The Council also produces an Assurance Statement as part of an Information Governance Assessment for services connecting to NHS IT Systems. All organisations that have either direct or indirect access to NHS systems must complete an Assessment and agree to additional terms and conditions. We use NHS systems to support NHS business activities that contribute to the care of patients.
50. During 2014/2015, the Council has streamlined its governance arrangements around the IT Delivery Programmes. The 'Next Generation Computing' Commissioning Board has been put in place replacing the eight strategic IT delivery boards. This has reduced duplication and promoted a broader understanding of the relationships between the IT Delivery Programmes. The purpose behind the Commissioning Board is to bring the decision makers of the Council together to plan and prioritise the Council's IT resources to best effect.
51. The Council also provides IT support to partners including Mid Suffolk and Babergh District Councils, Eastern Facilities Management Solutions (EFMS), Suffolk Libraries and Schools and Academies via Schools Choice.
52. Priorities in 2015/2016 will be to continue the investment in the Council's core infrastructure. In addition, there will be a continued focus on the 'Next Generation Computing' programme to help the Council take advantage of developments in IT to achieve improvements which include greater resilience, mobile working, better management and sharing of information and efficiencies from service processes. During 2015/2016, the IT Service will develop a medium term capital programme covering the 3 years of the IT Technology Strategy.
53. The Assistant Chief Executive is satisfied that IT services are run effectively.

#### **Divestment and Contract Management (Aidan Dunn – Head of Procurement)**

54. During 2014/15 there were two further divestments with the operational transfer of Thorpe Woodlands adventure centre to the Thorpe Woodlands Adventure Centre Trust, and the transfer of the Council's traded archaeology services to Suffolk Archaeology Ltd.
55. Approximately 65% of the Council's spend is now made externally to suppliers through over 1,700 contracts. Effective Contract management is therefore crucial to the future success and stability of the Council. Contract management is undertaken within Directorates across the Council, with the Corporate Procurement and Contract management team providing an overview and professional support, as well as direct management of the higher risk contracts.



56. The Contract Management Board has continued to oversee the commercial activities of the Council and to provide an increased emphasis on Contract management. The Board's membership consists of senior officers (Assistant Directors) from each of the directorates. The Board, chaired by the Director of Resource Management, meets on a six weekly basis with the objective of co-ordinating professional resource input across the organisation and establishing / sharing best practice in commissioning, procurement and contract management. The Contract Management Board also oversees the "Commercialism" project which forms part of the Support Services transformation programme.

### **Inspection Agencies / External Assurance**

57. The External Auditor's (Ernst & Young) 2013/14 Annual Audit Letter, issued in October 2014, concluded the following:-

#### Financial Statement Audit

"We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2014. In our view, the quality of the process for producing the accounts, including the supporting working papers was good."

#### Value for money conclusion

"We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- i) The organisation has proper arrangements in place for securing financial resilience; and
- ii) The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30 September 2014."

58. According to the latest performance data published by Ofsted, 75% of Suffolk's schools are currently judged as being "good" or "outstanding". This is an increase from 72% last year but remains below the East of England average at 79%, and the national average of 82%.
59. During 2014, Ofsted inspected all of the Council's children's homes. Outcomes of these inspections resulted in either a scoring of 'good' or 'adequate'.
60. Ofsted inspected 14 of the Council's 47 children's centres during 2014. A total of eight Children's Centres (plus one group inspection) were judged by Ofsted as 'requiring improvement'. In all of these inspections, performance against the 'access to services by young people', and 'the effectiveness of leadership and management' criteria were judged as 'requiring improvement'.



61. The Council has had various inspections during 2014/15 from the Care Quality Commission (CQC). Inspections have covered home care; residential care homes; and learning disability residential & domiciliary services. Despite the residential care homes and learning disability residential & domiciliary services being divested, the Council is still responsible and accountable for the quality of the services provided. The CQC inspections in these areas focussed on assessment across a set of five standards:

- 1) Treating people with respect and involving them in their care;
- 2) Providing care, treatment and support that meets people's needs;
- 3) Caring for people safely and protecting them from harm;
- 4) Staffing; and
- 5) Quality and suitability of management.

On the whole, these standards are being met. No enforcement action was identified as being required.

62. There has not been a formal investigation by the Health & Safety Executive (HSE) since February 2012 and the last improvement notice was received in January 2011. Whilst the HSE are not currently investigating the County Council, they are currently investigating two incidents relating to the Council.

63. In addition, earlier this year the HSE requested the Council provide evidence for how it is managing legionella in its schools. Subsequently the HSE was satisfied with the arrangements that the County Council has in place.

64. English Fire and Rescue authorities are required to produce and publish an annual Statement of Assurance. This provides information on the Fire and Rescue Service's financial, governance and operational matters and demonstrates how the Government's national framework commitments have been met. As a result of the 2013/14 Suffolk Fire and Rescue Service's assessment, Councillor Colin Spence (Cabinet Member for Public Protection) stated "I am satisfied that Suffolk Fire and Rescue Authority ensured that its business was conducted in accordance with the law and proper standards, and that public money was properly accounted for and used economically, efficiently and effectively. I am further satisfied that the requirements of the Fire and Rescue National Framework for England have been met."

#### **SIGNIFICANT ISSUES / KEY RISKS / ACTION**

65. The Council documents and manages its key corporate risks through the Corporate Risk Register. These are reported on a quarterly basis to CMT.

66. The Council has a range of major transformational and enabling programmes which, together, will help the Council meet its priorities. [MySCC our transformation](#)

#### **APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT**

67. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.



68. The Annual Governance Statement provides good assurance of the effectiveness of the Council's system of internal control. No governance issues were found during the year. Specific opportunities for improvement in governance and internal controls contained in the opinions and key risks detailed above have been addressed or are included in action plans for the relevant managers.
69. We are satisfied that these actions will deliver, over appropriate timescales, the improvements necessary and we will continue to monitor, evaluate and report on progress as part of our next annual review.

**Chief Executive (Deborah Cadman)**

Signature:



Date:

16 June 2015

**Leader of the Council (Councillor Colin Noble)**

Signature:



Date:

16.06.2015

on behalf of Suffolk County Council