

Committee:	Audit Committee
Meeting Date:	18 May 2016
Lead Councillor/s:	Councillor Michael Bond
Local Councillor/s:	All
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Annual Governance Statement

Brief summary of report

1. This report reviews the Council's Corporate Governance arrangements as required by the Accounts and Audit Regulations.
2. The Audit Committee has responsibility for being satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

Action recommended

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| 3. The Committee is asked to review the Annual Governance Statement and comment accordingly and monitor the areas for improvement |
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Reason for recommendation

4. The preparation and publication of the Annual Governance Statement will meet the statutory requirement of the Accounts and Audit Regulations which requires an authority to, each financial year, conduct a review of the effectiveness of its system of internal control, and to prepare an annual governance statement. It is the responsibility of the Audit Committee to review the Council's Corporate Governance arrangements.

Alternative options

5. The Committee could request further information on which to base its views. Failure to act will weaken corporate governance and could have an impact on service delivery and lead to adverse comments from the External Auditor and other inspectorates and impact on how the Council demonstrates good governance to its residents.

Who will be affected by this decision?

6. All stakeholders

Main body of report

7. The Accounts and Audit Regulations require the Council to prepare and publish an Annual Governance Statement (AGS).
8. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.
9. The Council at its meeting on 26 May 2011 approved a revised Code of Corporate Governance (The Code) – part 4.4. of the Constitution. The Code is in line with the framework: 'Delivering Good Governance in Local Government' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
10. The core governance principles under the code are as follows:
 - (a) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision of the local area;
 - (b) members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - (c) promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - (d) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - (e) developing the capacity and capability of members and officers to be effective; and
 - (f) engaging with local people and other stakeholders to ensure robust public accountability.

11. The six core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across the Council's business.
12. The Code incorporates the 'three lines of defence' model which has been used as the primary means to demonstrate structure, roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance and assurance.
13. **First Line Of Defence** – The County Council is responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Operational managers are responsible for, and thus should be adequately skilled in, making risk assessments (including proactive review, update and modification). The first line of defence provides management assurance, and informs the Audit Committee by identifying risks and organisational improvement actions, implementing controls, and reporting on progress.
14. **Second Line of Defence** – The County Council's Oversight Functions (e.g. Business Development; Finance; Human Resources (HR); Information Technology (IT); Procurement & Contract Management) are responsible for designing policies, setting direction, introducing best practice, ensuring compliance and providing assurance oversight for the Corporate Management Team (CMT) and Councillors.
15. **Third Line of Defence** – Independent assurance providers, including Internal Audit, External Audit and other inspectors, help the County Council by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This entails independent challenge, audit of key controls, formal reporting on assurance, and, where applicable, the audit of assurance providers' controls.
16. All three lines of defence have specific tasks in the internal governance framework. The Audit Committee has a role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes as well as internal audit activities.
17. Each year the Council has to carry out a review of its Governance arrangements to ensure compliance with this Code and the delivery of good governance and current good practice. The purpose of the review is to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future. This will require the Council to:
 - (a) consider the extent to which it complies with the principles and requirements of good governance set out in the framework;
 - (b) identify systems, processes and documentation that provide evidence of compliance;
 - (c) identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation;

- (d) identify the issues that have not been addressed adequately and consider how they should be addressed; and
 - (e) identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
18. The outcome of this review forms the basis of the AGS which is prepared on behalf of the Leader of the Council and the Chief Executive. Clearly they must be satisfied that the AGS is supported by reliable evidence and accurately represents the internal control environment.
 19. The Audit Committee receive this statement for consideration and review prior to it accompanying the Council's 2015/16 Statement of Accounts which will be approved by the Audit Committee in September 2016. Any changes / comments this Committee wishes to make to the AGS will be made before it is signed.
 20. The Annual Governance Statement includes a commentary on how the County Council is meeting the principles of the CIPFA / SOLACE Framework. This sets out what the Council has achieved during the financial year, current issues and actions to be taken.
 21. To reflect the 'three lines of defence' model, the Annual Governance Statement also includes assurance statements on governance, finance, IT, HR and Health & Safety from various officers representing the oversight functions, as well as the annual audit opinion from the Head of Audit Services.

Sources of Further Information

- a) [Accounts and Audit Regulations 2015](#)
- b) Audit Services Annual Report 2015/16
- c) Code of Corporate Governance – Constitution part 4.4. <http://www.suffolk.gov.uk/assets/suffolk.gov.uk/Your%20Council/Councillors/Constitution/2013-03-27%20Constitution%20PART%204.pdf>
- d) CIPFA / SOLACE framework - 'Delivering Good Governance in Local Government' (including addendum issued in December 2012)

Annual Governance Statement 2015/16

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. Vertas, Concertus Property & Design Consultants (Concertus), and Opus People Solutions (Opus) are wholly owned companies of the Council. Vertas, 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 Vertas, 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 2016 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 its internal control system. 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 CIPFA Statement on the Role of the CFO in Public Service Organisations.

15. The most recent Annual Audit Letter from Ernst & Young issued in October 2015 gave the Council an unqualified opinion on its statement of accounts. They 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, which started in 2011-12. The Government plans to achieve a surplus on its budget by 2019-20. This requires further annual savings from Government departments for the remainder of this parliament. The Council continues to take 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 £170m, 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 2016-17 (see link below):
<http://committeeminutes.suffolccc.gov.uk/LoadDocument.aspx?rID=0900271181af0cf9>
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 recourse 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. However, it will be critical that the Council and its officers remain focused on achieving the planned savings and identifying savings for future years at the same time as progressing the devolution programme and gearing up to deliver two major bridge projects. The capacity of the organisation could be severely tested.

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. Two by-elections were held during 2015/16. As at 31 March 2016, the political groups are represented as follows: Conservative 36; Labour 15; UKIP 9; Liberal Democrat and Independent 8; Green and Independent 3; and Independent 2. There are two vacancies.

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 Councillor Development Working Group, overseen by the Audit Committee. A programme to follow the Council Elections in May 2017 will be prepared over the coming months.
22. During 2015/16, the Constitution has been updated to reflect the changes that have occurred to organisational structures. The three Area Appointments Committees have been combined into one Governor Appointments Committee. With regard to the appointment of the Head of Paid Service and the disciplinary processes for the Head of Paid Service, Chief Financial Officer and the Monitoring Officer, the changes required by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 have been incorporated. Other more minor changes have been made to reflect current practice and ensure the smooth running of Council business. All changes were considered by the Constitution Working Party before recommendations were made to Council.
23. Seven complaints alleging that councillors have breached the Code of Conduct have been considered by the Monitoring Officer during 2015/16. Four of these (three of which related to the same incident) occurred when the councillor was not acting in their official capacity, and one has been reviewed and concluded that it was not sufficiently serious to warrant further action. Two complaints were resolved when the councillors apologised to the complainants.
24. A training event 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) was held in March 2016. This event was well received, with a good discussion of cases from across the country. These events will continue to be repeated in the future at regular intervals.
25. The Local Government Ombudsman's Annual Review Letter for the year ended 31 March 2015, was discussed at Audit Committee in September 2015. During the reporting period of the Annual Letter the LGO made final decisions on 75 complaints about the Council. Of the 75 decisions made, 20 (27%) were forwarded for investigation. Following investigation, 11 of the 20 complaints (55%) were upheld compared to 46% nationally. The remaining 9 complaints were not upheld.
26. 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 governance systems and processes within the Council are effective. The Governance arrangements within any Combined Authority, and the impact on the Council, will be a key focus during 2016/17.

Opinion of the Head of Audit Services (Peter Frost)

27. Based on the findings of the managed audit and governance reviews carried out throughout 2015/16, 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.

28. The Internal Audit Service undertakes data analysis in areas likely to be susceptible to error and fraud, supports the biennial National Fraud Initiative data matching exercise, and provides support to managers in investigating allegations of fraud, theft or impropriety.
29. An internal audit review of the Council's compliance to the core governance principles in February 2016 concluded that the Council has sound governance arrangements in place.
30. 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)

31. Performance and risk management at the Council continues to be critical in the current public service environment. In recent years local authorities have had more freedom from some aspects of central government scrutiny that has enabled them to focus on capturing and managing information that most effectively enables them to manage services at a local level. High quality, robust performance information helps the Council to demonstrate the impact of change on service delivery, particularly in times of limited resources.
32. Despite the absence of an overarching national performance and assessment framework, local authority services continue to be externally regulated to a considerable extent. The Council is required to submit a considerable number of statutory data returns to central government, 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), to 'test' hypotheses about service performance and quality in advance of, and during, inspections. Furthermore, under the Government's new Code of Practice for Transparency, the Council also has to publish a range of 'open data', e.g. relating to spending, senior staff salaries, fraud, property assets and procurement.
33. Good progress has been made during 2015/16 in further developing the Council's embedded local performance management and reporting arrangements. The Council's overall approach is set out in the Corporate Planning and Performance Framework, which is reviewed and updated annually. This ensures consistency in performance practices and procedures across the organisation, as well as allowing some flexibility for the specific needs of individual directorates. The Corporate Planning & Performance Board oversees the Council's planning, performance, risk and information management processes. The Board meets quarterly and includes senior officer representation from each service directorate as well as relevant corporate teams including Finance, HR, Audit, Business Development and Customer Services.
34. 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 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 – intelligence relating to customer service and digital transformation;
 - d) Programmes – progress on the Council's key transformation and enabling programmes.
35. There are a number of online benchmarking resources that provide a rich source of 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. In addition, the Suffolk Observatory www.suffolkobservatory.info provides a rich source of data, information and reports about Suffolk's economic, social and environmental conditions. The Council's 'divested' services are performance monitored through the contractual arrangements in place for each service.
36. Reporting performance against service priorities at directorate management team (DMT) level is 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. Whilst directorates adopt a reporting style that best fits their individual circumstances, they consider service performance alongside other business intelligence in line with the corporate 'balanced scorecard' model.
37. During 2015/16, there has been a continued focus on embedding the Council's Active Risk Management (ARM) approach across the organisation and ensuring that is an integral part of the Council's planning and performance processes. Ensuring that the Council's risk management system (JCAD Risk) provides an accurate reflection of the major threats and issues it faces continues to be a key area of focus to ensure that management teams are able to take effective and timely mitigating actions. Regular monitoring of the Council's Corporate Risk Register by CMT and an annual review by the Leadership Team provide assurance that the most significant risks are included on the Register and are being managed.
38. Similarly, directorate management teams review their own risks regularly and in a timely manner, either as part of or alongside their performance reports. Risk management is also an integral component of the processes associated with the Council's transformation programme portfolio. A network of risk 'champions' has been established across the organisation this year, and a risk management e-learning training module for all staff is in development.
39. 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 most recent judgement by the Council's Audit Services that the Council's risk management arrangements are 'Effective'.

40. The Assistant Chief Executive and the Head of Performance & Information Management presented the annual performance and risk report to the Council's Audit Committee in January 2016. The Committee concluded that satisfactory arrangements were in place for the effective management of performance and risk.
41. 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 performance and risk at this current time are effective.

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

42. The Council continues actively to manage employment costs through a range of controls and discipline in relation to pay, recruitment and re-engagement restrictions across the Council.
43. The Council is half way through a four year collective agreement with Unison on pay-related matters for staff on single status terms and conditions, and so pay levels continue to be restricted and controlled. Work will need to begin during 2016/17 to prepare for the end of that collective agreement and in the context of how the Council may want to use reward more strategically as more work is done with partner organisations across East Anglia. This will need to be done within the context of the budget savings agenda.
44. The Council's People Strategy outlines priorities for HR in terms of developing a Council workforce which is able to deliver organisational priorities. This includes work relating to leadership and management skills, making the most of staff survey results and general change activity. The HR Service Vision and Strategy outlines how the HR department operates and details the high level 'offer' from HR to users of the service. Both of these are available on request. An example of one aspect of the HR Service Strategy is "we will maximise the use of our new systems intelligently and in a way in which the customer recognises their benefit" and access channels continue to be developed in a way which maximises the value the Council gets from these resources (e.g. ASKHR, webchat, iTrent). This will continue through the implementation of more modules of iTrent, the HR Information System and further staff reductions from HR.
45. The HR team proactively supports the Transformation Programmes including work related to Suffolk-Wide Working. An example of this is support provided to the Growth Project Board to identify key people issues associated with more joined up working and improving the availability of future planners across the County. This will now serve as a solid foundation for joint working as we prepare for Devolution under the East Anglian deal.
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 and that support is offered on both a strategic and operational basis.

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

47. During 2015/16, the IT Service has developed within the Council following the return from the Customer Service Direct Joint Venture. The service has delivered against both the revenue budget and the capital programme and progressed key elements of the IT Strategy and achieved ongoing compliance with national mandated IT and Information Management regimes.
48. Local government, in common with other public services, is subject to a number of compliance regimes around IT and information management. These include the Public Services Network (PSN), which allows secure connection between central and local government IT systems and Payment Card Insurance (PCI), which allows the Council to take card payments for services. During 2015/16, the Council demonstrated compliance in both areas.
49. The Council also produces an Information Governance 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. The Council uses NHS systems to support NHS business activities that contribute to the care of patients. As part of these arrangements, a Logical Connection Architecture diagram is maintained in accordance with guidance and this must be provided for Department of Health review on request.
50. During 2015/2016, the Council's 'Next Generation Computing' Commissioning Board and Information Governance Board have gone from strength to strength overseeing the delivery of the IT Strategy and information management programme respectively. The Corporate Management Team now receives a regular quarterly report on the progress of the IT Strategy and there have been a number of IT Audits during 2015/2016.
51. The Council also provides IT support to partners including Mid Suffolk and Babergh District Councils, Vertas, Suffolk Libraries and Schools and Academies.
52. Priorities in 2016/17 will be to continue the investment in the Council's core infrastructure, and the delivery of the IT Strategy across the Council. 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.
53. The Assistant Chief Executive believes that the IT Services are run effectively, efficiently and economically.

Opinion of the Head of Health & Safety (Paul Butcher)

54. In accordance with Section 2(7) of the Health & Safety at Work etc. Act 1974, there is a Safety, Health and Wellbeing (SHAW) Board comprised of senior managers and Trades Union representatives, which oversees and reviews the measures taken to ensure that the health, safety and wellbeing of staff and those affected by the Council's activities.
55. The Health & Safety service provides the competent advice to the Council as required by Regulation 7 of the Management of Health and Safety at Work Regulations 1999. The Head of Health & Safety is satisfied that health and safety is managed effectively as part of an ongoing improvement cycle.

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

56. Approximately 70% of the Council's expenditure is now made externally to suppliers through over 2,000 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.
57. In the first half of 2015/16, a stock-take of all Directorate expenditure over £5,000 was completed. This was followed by an exercise to risk assess all contracts for the purposes of contract management using a simple risk matrix. Work is now underway to increase the commercial skill level across the Council.
58. During 2015/16, the turnover of contracts and grant agreements has remained high with approximately 400 new agreements set up by Corporate Procurement and across the wider Council and 350 having come to an end. Notable tenders include Property Construction and Maintenance Frameworks (estimated total values of £500m and £24m respectively), the ACS Support to Live at Home Framework (estimated total value of £165m) and Integrated Drug and Alcohol Provision for Public Health (estimated total value of (£4.68m). The changes to the new European Procurement rules have been implemented during the year.
59. 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 is chaired by the Director of Resource Management and 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.
60. No services have been formally divested from the Council during 2015/16.
61. The Head of Procurement and Contract management is satisfied that procurement activities are undertaken effectively within the Council and that appropriate systems are in place to manage contracts effectively.

Inspection Agencies / External Assurance

62. The External Auditor's (Ernst & Young) 2014/15 Annual Audit Letter, issued in October 2015, 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 29 September 2015.

The quality of the Council's working papers and quick resolution of our audit queries has again facilitated our audit."

Value for money conclusion

"As part of our work, we must conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2014/15 value for money conclusion was based on two criteria. We consider the Council had proper arrangements for:

- i) securing financial resilience; and
- ii) challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 29 September 2015."

63. Following Ofsted's inspection of Children's Services during November and December 2015, inspectors have given the Council an overall effectiveness rating of 'Good'. As part of the feedback, the Council received many positive comments including around the essential work that is done together as partners for children, young people and families in Suffolk. Some of the partnership highlights were:
- a) Evidence was seen of partners' increased understanding of, and confidence in, the thresholds for access to children's social care.
 - b) The MASH (Multi-Agency Safeguarding Hub) provides a sound multi-agency response, with appropriate decision-making.
 - c) Partnership working, particularly with the police and with health services, was reported as strong. The Inspectors saw evidence of good practice and effective interventions involving child sexual exploitation, gangs, unaccompanied asylum-seekers, female genital mutilation and radicalisation.
 - d) Significant improvements in the last two years on prevention of homelessness for families and young people due to the early help offer and effective partnership engagement.
 - e) Strong partnerships with schools, the strengthening virtual school and school improvement services are leading to improvements in the attendance and attainment of primary-aged looked after children in the area.

- f) The ambitious commissioning and the action now being taken to better meet the mental and emotional health and well-being needs of children and young people and the sufficiency of placement and accommodation options for young people aged 16–18, while recognising that there remains much that is yet to be achieved.
64. A separate review of the LSCB (Local Safeguarding Children's Board) by Ofsted also rated the LSCB as 'Good'.
65. According to the latest performance data published by Ofsted, 79.6% of Suffolk's schools are currently judged as being "good" or "outstanding". This is an increase of 5% on last year.
66. There have been various inspections during 2015/16 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.

Although enforcement action resulting in the closure of two providers has been taken, on the whole these standards are being met.

The CQC inspection of the Council's in house Home First service resulted in a positive outcome and there has been no enforcement action on this service.

67. There has not been a formal investigation of the Council's activities by the Health & Safety Executive (HSE) since February 2012 and the last improvement notice was served in January 2011. The HSE currently have an ongoing investigation in relation to one of our contractors.
68. 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 2014/15 Suffolk Fire and Rescue Service's assessment, Councillor Matthew Hicks (Cabinet Member for Environment & 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

69. The Council documents and manages its key corporate risks through the Corporate Risk Register. These are reported on a quarterly basis to CMT.
70. The Council has a range of major transformational and enabling programmes which, together, will help the Council meet its priorities. [MySCC our transformation](#)
71. During 2015/16, the CIPFA/SOLACE Joint Working Group on Good Governance in Local Government consulted on a revised draft *Delivering Good Governance in Local Government: Framework*. The revised Framework will apply from 2016/17 and the Council will review and amend its Code of Corporate Governance to reflect the changes.

APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT

72. 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.
73. 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.
74. 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:

Leader of the Council (Councillor Colin Noble)

Signature:

Date:

on behalf of Suffolk County Council

