

## Annual Governance Statement 2015/16

### 1. Scope of responsibility

1.1 Dorset County Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Dorset County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.3 Dorset County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. These include the additional requirements as recommended by CIPFA in March 2010. A report on the code and the latest assessment of compliance with it was published with the Audit and Governance Committee papers for 8 June 2016 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ. This statement explains how Dorset County Council has complied with the code. It also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

### 2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 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 meet the targets in our 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 Dorset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Dorset County Council for the year ended 31 March 2016 and up to the date of approval of the annual statement of accounts.

### 3. The governance framework

3.1 Some of the key features of the governance framework are set out in the following paragraphs.

3.2 The corporate plan sets out the contribution we will make to enabling communities in working together for a successful Dorset.

3.3 Delivery of the County Council's corporate plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

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3.4 The Constitution of Dorset County Council establishes the roles and responsibilities for members of the executive (the Cabinet), Overview, Scrutiny, Regulatory and Standards Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. Proposed changes to the Constitution are overseen by the Standards and Governance Committee (and under the revised arrangements from 2016 will pass to the Audit and Governance Committee). Its views on the suitability of any changes are reported when they are presented to the full County Council for approval.

3.5 The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of or attendance at the Corporate Leadership Team.

3.6 The primary counterbalance to the Cabinet is the Audit and Scrutiny Committee (and under the revised arrangements from 2016 will pass to the Audit and Governance Committee). The Committee provides a robust challenge to the Executive. The Committee did not identify a need to exercise its 'call in' or call to account powers during 2015/16.

3.7 The County Council has reviewed the placement of its scrutiny function and has approved changes to its Committee structures, including separating out of 'audit' and 'scrutiny' functions. The future committee structure will be based on the outcomes defined in the Corporate Plan with Overview and Scrutiny Committees for Economic Growth, People and Communities and Safeguarding, with each of them having responsibility for monitoring a number of specified objectives within it. The Dorset Health Scrutiny Committee also continues in its role.

3.8 A complaints procedure and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Audit and Scrutiny Committee and the Standards and Governance Committee. The Standards and Governance Committee has responsibility for overseeing the investigation of complaints against members.

3.9 The County Council has a strong risk management function. The risk management policy and strategy are reviewed annually. The Risk Management Group draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. Those risks contained in the councils Corporate Risk Register which have been assessed as high have informed the list of significant governance issues later in this statement.

3.10 Appraisal and review processes are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs. An extensive member induction programme is put in place after the County Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. Focussed training will support the new committee arrangements in 2016.

3.11 The County Council is committed to partnership working. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset. Guidance on best practice in partnership governance, together with the development of an alternative service delivery model governance and due diligence checklist that has been adopted to ensure that partnership arrangements are as productive and secure as possible.

## 4. Review of effectiveness

4.1 Dorset County 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 work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2 The Chief Executive has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the Corporate Leadership Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

4.3 The Chief Financial Officer has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council.

4.4 The statutory role of Monitoring Officer is held by the Head of Legal and Democratic Services. The Monitoring Officer is responsible for ensuring that the Council acts within and through the law. Parallel to the responsibilities of the Chief Financial Officer the Monitoring Officer has a duty to report to the Cabinet where it appears to him that any action or intended action by the Council is unlawful or amounts to maladministration. The Monitoring Officer also has responsibilities in relation to the Council's constitution and in relation to councillor conduct.

4.5 Dorset County Council's Internal Audit Service, via a specific responsibility assigned to the Head of Internal Audit (the Group Manager, Governance and Assurance), is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Since April 2010, internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

4.6 The review of compliance with the governance framework has involved:

- review of the latest position on the core principles by lead officers, including cross-challenge by other leads;
- an assessment of the draft compliance assessment and significant governance issues by Corporate Leadership Team;
- review of the draft compliance assessment and Annual Governance Statement by the Audit and Governance Committee and the Cabinet;

4.7 Plans to address weaknesses and ensure continuous improvement of the system are recorded in the annual compliance assessment.

## 5. Significant governance issues

5.1 Governance issues can be put into two groups:

- (i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

- (ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

5.2 In the first group, there were no elements of the framework for which the judgement is that the County Council is non-compliant. There are however six areas where a judgement of partial compliance has been identified and where improvement is considered necessary.

5.3 Actions needed to achieve full compliance are largely covered by existing improvement plans. The issues and actions can be summarised as follows:

*(NB: - Further detail is provided against the respective core principles in the compliance assessment. References have been provided at the start of each area for ease of reference):*

<p><b>1g.</b> Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p> <p><u>Agreed Action:-</u> A new performance management framework using Outcomes Based Accountability is currently being developed to underpin and monitor the Corporate Plan. This will be used for quarterly performance monitoring and will be regularly reviewed by Cabinet, Audit and Governance Committee and the Overview and Scrutiny Committees.</p> <p>The pilot work undertaken within Childrens Services should be rolled out more fully across the Authority.</p> <p>Value for money assessment will feature as a strand of internal audit reports.</p>
<p><b>2j.</b> Ensure that effective mechanisms exist to monitor service delivery.</p> <p><u>Agreed Action:-</u> A new approach to performance monitoring of the Corporate Plan is being developed. This will enable more effective monitoring of service delivery outcomes, including widening out the obsessions tracker for monitoring effective service delivery that is being piloted within Childrens Services.</p> <p>The new Committee Structure will become operative early 2016. The Audit and Scrutiny functions are separated and the future committee structure should be based on the Corporate Plan with Overview and Scrutiny Committees for Economic Growth, People and Communities and Safeguarding, with each of them having responsibility for monitoring a number of specified corporate outcomes. The changes are to be reviewed for effectiveness. Risks identified during implementation will be regularly reviewed and responded to.</p>
<p><b>5d.</b> Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p> <p><u>Agreed Action:-</u> The review of overview and scrutiny arrangements in the council has identified the need for very specific training and skills development as part of implementing new arrangements. The people plan sets out how we will be working differently to help achieve our vision of 'working together for a strong and successful Dorset'</p>
<p><b>7b.</b> Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary</p>

<p><u>Agreed Action</u>:- Rollout of outcomes based accountability will improve accountability of budget managers. However this will need to be supported by executive functions exercising "call to account" to challenge any areas of overspend</p>
<p><b>7i.</b> Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under regular review.</p> <p><u>Agreed Action</u>:- Enable more effective engagement for DES and other systems development with the business through the proposed new Corporate Working Group structure. Consider rolling out model adopted by Environment &amp; Economy wider across Council services.</p>
<p><b>7o.</b> Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.</p> <p><u>Agreed Action</u>:- Further work is to be undertaken to engage with the business as to whether the reports provided meet all of their needs. Consider rolling out model adopted by Environment &amp; Economy wider across Council services.</p>

5.4 The second group are issues that represent a significant risk to the County Council and, as such, are assessed as high risks on the Corporate Risk Register in accordance with the councils approved risk criteria.

5.5 A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. A summary of these 'significant' issues are outlined below, together with the council's response and actions to deal with these issues:

Corporate Risk	Causes	Council Response
<b>01) Inadequate finance to meet legislative, political and public expectations</b>	Overspend to the Adult & Community Services Directorate Budget and meet the structural deficit	Pathways to Independence Programme includes a transformation of the whole Directorate which will increase independence and reduce the need for long term Adult Social Care; this includes review of the whole system, and a focus on early help and prevention while meeting the requirements of the Care Act
	Failure to achieve Better Care targets across the Dorset public / community sector	There is a significant risk that the agreed plans do not achieve the savings in line with local government funding reductions. Performance on admissions and delayed transfer of care continues to be challenging, which will impact on performance related funding. Performance indicators are largely based on health performance and therefore whilst the local authority can influence this risk, it cannot control it.
	Failure to ensure that learning disability services are sustainable and cost-effective	Ongoing management focus on this area of overspend. Work commenced in 2015/16 to look at transition planning between children and adults. Further work is also under way on developing new models of care for supported living for people with disability.

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Corporate Risk	Causes	Council Response
	General balances are depleted to a level below operating range	The current year's anticipated overspend will reduce the general balances to a level just above the lower end of the operating range. Should we fall below the lower end (£10m) it would be raised as a matter for concern by our auditors, KPMG.
	Ineffective and / or non-compliant financial management	Accountants are integrating better into services to enable early identification and effective escalation. A successful series of budget management training sessions have been delivered to services to raise awareness. DES training is also being widely rolled-out and we are currently consulting on our restructure project following a budget holder survey.
	Additional savings cannot be identified to bridge the unfunded gap	The largest risk to the programme currently is that even with the identified major transformation programmes there remains a need to deliver a substantial savings target from the years 2016/17 onwards. This will be responded to via the 2020 masterplan.
	Failure to have in place an equal and legally compliant pay & grading structure	A paper was taken to the Staffing Committee in July 2015 to determine the options associated with undertaking an equal pay audit and the associated resource implications. It was agreed by the committee that the review would be postponed until April 2017 at the earliest.
<b>02) Failure to protect the vulnerable children and young people from abuse or neglect in situations that could have been predicted and prevented</b>	Failure to manage the demands led budget for children in care	The Children's Services Leadership Team continue to monitor performance and impact of budget reductions. South West Audit Partnership undertook a review of high cost areas of provision, including monitoring the pathways of individual cases. A task and finish "Prevention & Partnership Strategy Group" has been established to respond to the action plan from this review. Consultation on restructuring commenced early 2016, including a renewed focus on prevention within the Care and Support Team.
<b>04) Failure to ensure the health and wellbeing of staff, service users and the public</b>	Health and safety risks associated with occupation of premises	The majority of sites now have a nominated Premises Responsible Person. However, restructuring of services has reduced the understanding of the Directorate Duty Holder Strategy. The strategy will be ratified.

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Corporate Risk	Causes	Council Response
<b>05) Inability of the Council or a key partner to effectively respond to an incident or event</b>	Loss of ICT service or data through a cyber attack	Other national incidents identify local authorities as a target. The Council has a ICT Continuity Management Group that maintains and manages a specific risk register.
<b>07) Failure to sustain effective relationships across key partnerships</b>	Failure to sustain an effective relationship across the Dorset Waste Partnership	Internal Interim Director appointed.  Action Plan largely complete and the final three (of 37 items) are being progressed as separate projects.  Progress continues to be reported to Joint Committee at each meeting and SWAP (South West Audit Partnership) are reviewing relevant actions as part of their annual Audit Plan.
<b>09) Inadequate infrastructure to meet Council priorities</b>	Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (eg budget reductions; climate change)	The highway maintenance block allocation increased by 15 % from 2015/16. Further annual business cases will be produced for additional capital investment in highway maintenance.
	Unable to provide sufficient school places (Basic Need)	Programme of delivery of Basic Need Schools in accordance with agreed timescales/costs is being monitored through relevant groups.  Whilst the framework has been agreed, we are developing a clear strategy around sufficient school places, which will need to be signed up to by members and partners.
<b>10) Failure to deliver service transformation and necessary savings through the Forward Together programme</b>	Projects do not take a consistent business-like approach to calculating benefits leading to inconsistent assessments, unrealistic savings targets and the need to find additional savings	The masterplan and commissioning model will respond to concerns raised over benefits realisation and adequate baseline measures as part of the business case. Guidance and tools are incorporated within the supporting project management toolkit.

Corporate Risk	Causes	Council Response
	Capacity of staff to deliver transformation programme as well as maintain focus on day to day business (including across support services)	The Chief Executives Department was restructured during 2015 and included addressing capacity to support projects. A prioritisation tool has been developed by the programme office. Savings targets are being rebased, which may result in a readjustment of programme priorities.
	Failure to address cultural issues that may impact on the success of the transformation programme	Work is ongoing to communicate the Forward Together message. A further staff survey is planned June/July.
	Unable to achieve service transformation and savings across DCC support services	The key risks which are driving this assessment are the financial and reputational risks. The main risks are non-delivery of financial savings and service improvements (both in the support services and in other parts of the Council) due to insufficient capacity and skills shortages in the support services. The reputational risk is that if savings are made without addressing the fundamental issues identified in the strategic outline case, the service delivery will be impacted which will have an impact on customers both internal and external
<b>12) Failure to develop services based on evidence and need</b>	Inadequate assessment of the long term impacts/risks (threats/opportunities) of proposals	Modelling of future demand to clearly highlight pressure points.
<b>13) Inadequate ICT infrastructure to meet corporate service priorities</b>	Current technology within DCC is insufficient and / or inflexible to meet the anticipated needs of the transformation programme (on a technical or contractual basis)	<p>The Smarter Computing programme has been re-planned, to reflect the issues encountered with the performance of the underlying platform, issues encountered with key business software such as RAISE (Children's social care system) and the supply of Surface Pro 3 tablet devices. Smarter Computing is now deployed across most service areas with a plan to complete desktop deployment in July 2016 and Surface Pro 4 mobile device deployment planned to be complete in September.</p> <p>We are changing the way we deliver core services (WAN, telephony, email, calendar, document sharing and collaboration) which will introduce greater flexibility to collaborate, share and access information with colleagues and partners and improving our service continuity capabilities.</p>



Corporate Risk	Causes	Council Response
<b>14) Failure to develop, recruit or retain suitably competent/qualified staff compromises service Delivery</b>	Inability to attract and retain suitably qualified specialist safeguarding staff within Childrens Services	Work is underway with Bournemouth University to deliver a programme for social work/children’s services
<b>17) Failure to implement a local government structure to deliver the best possible outcomes for Dorset residents</b>	Lack of agreement across partner organisations	Discussions are ongoing at Leader/Chief Executive meetings. A full risk register is in development.

5.6 We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5.5 will be monitored through the year by senior officers and the Audit and Governance Committee.

	
<b>Debbie Ward Chief Executive</b>	<b>Robert Gould Leader</b>
<b>June 2016</b>	<b>June 2016</b>