

## Annual Governance Statement 2012/13

### Context

Surrey County Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The 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.

The council has adopted a Code of Corporate Governance (the code), through which good governance is evidenced. The code is based on principles from the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and is part of the council's constitution. The council is committed to fulfilling its responsibilities in accordance with the highest standards of good governance to support the 2017 vision of becoming the most effective County Council in England.

This Annual Governance Statement outlines the council's governance arrangements and achievements during 2012/13 and highlights areas to continue to strengthen governance, quality and internal control in 2013/14. It also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to conducting an annual review of the effectiveness of the council's governance framework and the publication of an Annual Governance Statement.

The review of governance is overseen by the Governance Panel (the panel). The panel comprises the Head of Legal and Democratic Services [chair], the Chief Finance Officer, senior representatives from HR and Organisational Development and Policy and Performance, the Chief Internal Auditor and the Risk and Governance Manager. It is responsible for developing and maintaining the governance environment and producing the Annual Governance Statement.

The governance arrangements for the year 2012/13 have been reviewed in accordance with the annual review process outlined in the code. The review has provided a satisfactory level of assurance on the governance arrangements for the year.

### The governance environment during 2012/13

#### Purpose and Outcome:

The One County One Team, Corporate Strategy provides a clear direction for staff as well as a signpost for residents, businesses and partner organisations and has the council's four values of Listen, Responsibility, Trust and Respect at its heart. It is underpinned by a suite of supporting documents such as the interactive Medium Term Financial Plan and directorate strategies. The Chief Executive reports progress on the Corporate Strategy to full Council on a six-monthly basis.

The council uses a variety of methods to improve service delivery and ensure that quality is maintained. A Quality Board has improved the coordination and effectiveness of quality management, and directorates continue to develop their quality frameworks to ensure they are effective. Finance, performance and risk information is monitored and reviewed by senior management and scrutinised by Select Committees and Cabinet. The Leadership risk register is regularly reviewed by Corporate Board, Audit and Governance Committee and Cabinet.

The council's three year Public Value Review (PVR) programme has been completed successfully. The 29 reviews undertaken have delivered a range of performance improvements and supported the implementation of new and innovative ways of delivering services. The programme has also identified total savings of £279m to be delivered by 2016. Rapid

Improvement Events (RIE) continue to be successfully used across the council to bring about changes to current work processes through the use of lean principles.

The council has developed a strategic framework for innovation and has begun to develop new ideas and approaches aimed at strengthening its capacity and capability to innovate. This will enable the council to continue improving outcomes and value for money for Surrey residents, and deal successfully with the significant challenges it faces over the next five to ten years.

The council is committed to seeking external, independent challenge and validation of the progress it has made in delivering its Corporate Strategy. For example, the council undertook a Local Government Association peer challenge between 26 February and 1 March 2013 and, in addition to looking at the council's corporate capacity and leadership asked the peer challenge team to test its capacity and capability to innovate in order to achieve the Corporate Strategy objectives. The peer challenge team acknowledged the huge strides the council has made over the last four years and has 'laid solid foundations on which to build'.

Specifically on governance, the peer challenge team stated that 'The overall governance of the authority is felt to be sound and key elements of it, including officer / member relationships and standards of conduct and behaviour, are seen to have improved significantly in recent years'. Areas which the peer challenge felt were 'likely to benefit from further attention and possible revision' were Select Committees ('seen as variable in their effectiveness') and Local Committees (the peer challenge team felt it would be timely to consider, with relevant partners, 'the role of Local Committees in a new era in order to ensure they are sufficiently well placed to succeed').

Other examples of external validation include the recognition the council has received through external awards. The council was shortlisted in the Council of the Year, Health and Social Care and Corporate Governance categories in the high profile Local Government Chronicle awards. The council also won the Council of the Year award in the Improvement and Efficiency South East Awards 2013.

#### Leadership & Behaviour

The roles, responsibilities and delegated functions for officers and Members are set out in the Constitution of the Council.

The Cabinet comprises the Leader, Deputy Leader and eight Cabinet Members, with each Member holding the brief for a particular portfolio of services. Decisions can be taken by individual members of the Cabinet or collectively by the full Cabinet.

The functions of the Monitoring Officer (Head of Legal and Democratic Services) and Chief Finance Officer/Section 151 Officer (Chief Finance Officer and Deputy Director for Business Services) are specified by statute and between them they are responsible for ensuring lawfulness, fairness and financial prudence in decision-making.

The Chief Finance Officer meets her financial responsibilities and ensures fully effective financial management arrangements are in place by attending key meetings where significant financial issues are discussed, including Corporate Board, all Cabinet meetings and Audit and Governance Committee. She also has regular meetings with the Chief Executive, Monitoring Officer, Chief Internal Auditor and External Auditor, and has direct access to the Leader and the Chief Executive at all times.

The Staff and Member Codes of Conduct set out the high standards of conduct expected by the council and training is provided through induction. The codes of conduct are supplemented by the Member/Officer Protocol, which provides principles and guidance for good working relations, and the Strategy Against Fraud and Corruption.

Following the abolition of the Standards Board regime, the council has put in place its own local arrangements for dealing with allegations of breaches of the Member Code of Conduct.

The Leader and the Chief Executive continue to show their commitment to engage with and support staff by touring the county to meet staff at various locations to hear their views and share their stories. The Chief Executive also provides regular updates and messages to staff through emails and the intranet via his monthly blog.

### Transparency and Stewardship

The council has seven select committees who continue to provide challenge to the Cabinet and have strengthened their policy development and review role. The Council Overview and Scrutiny Committee, comprising the select committee chairmen and representatives of the opposition parties, takes a council-wide view and leads on collaborative scrutiny issues.

Every Council, Cabinet and Planning and Regulatory Committee meeting is webcast to enable people to watch meetings online.

The Audit and Governance Committee comprises six councillors (Chairman is a Residents' Association/Independent Councillor) who have been specifically chosen to enable robust challenge and assurance from a position of knowledge and experience. The committee is focused on providing independent assurance on the council's control environment, the adequacy of the risk and governance arrangements and financial reporting.

The annual review of the effectiveness of the system of internal audit was undertaken by an external assessor, appointed through CIPFA. The report concluded that internal audit is well led and is given a high priority by those charged with governance.

The council produces an annual report that demonstrates the delivery of priorities over the year. It highlights key data on performance, notable achievements from the year and includes the AGS and unaudited summary accounts. The council also produces the four primary financial statements each quarter (Movement in Reserves, Income & Expenditure, Balance Sheet and Cash Flow) to provide management with robust information for measuring performance.

The Investment Panel comprises the Strategic Director for Business Services, five senior managers and the Cabinet Member for Assets and Regeneration. It ensures all proposed service capital investments have robust business cases before formal approval by Cabinet or Cabinet Member as appropriate, and monitors the overall capital programme.

The gifts and hospitality register is online and provides a means for staff to easily register anything offered or accepted, making the entire process transparent.

The council's Whistle-blowing policy encourages staff to raise concerns, such as bullying or harassment or fraud, through an anonymous, confidential and independent hotline. A variety of communication channels are constantly used to publicise the policy and the supporting arrangements.

As part of the council's policy on transparency and openness, more information is being made available to residents and businesses through the publication of expenditure invoices for spend over £500 and salaries of staff who earn over £58,200 (named from £100,000).

### People

The council's People Strategy aims to 'enable staff to reach their best so they can give of their best for the people of Surrey.' Time and resources continue to be invested to ensure staff and Members are fully engaged and motivated. Staff are given access to a number of tools and support through the STARS (Stretching Talent and Raising Skills) training and development programme that includes a range of e-learning and classroom based courses, online guidance

and websites. Workplace coaches are in place across the organisation to help staff with career development or find solutions to issues and problems.

The council holds the Charter for Elected Member Development and Investor in People (IiP).

#### Engagement and collaboration

The Surrey Residents Survey, which is jointly commissioned with Surrey Police, gathers customer satisfaction data and the results form part of the corporate scorecard. Customer feedback procedures ensure that feedback is both consistent and appropriate and that outcomes are reported through a quarterly digest.

The council continues to work with partners to develop the innovative Surrey, an information system that brings together data, information and analysis for Surrey. The increased use of online communication channels and new media such as Twitter and Facebook provides effective engagement with stakeholders.

Through close working with residents and partners, Surrey's Olympics events were successful and safe. The council continued to provide all its services and laid the foundations for a positive long term economic and social legacy in Surrey.

Notable progress has been made across all areas of the council in delivering services successfully in partnership. The SE7 Councils, consisting of seven South East councils, have worked together across a range of workstreams to identify savings including waste and property. A partnership has been established with East Sussex County Council to share procurement arrangements and payroll, pensions and accounts functions.

The benefits of working in partnership have not been confined to efficiencies and service improvements; partnership underpins the council's One Team approach. Expertise from partners has stimulated innovation, better engagement and an open learning culture.

#### **Internal control environment**

The internal control environment is a significant part of the governance framework and is designed to manage risks to a reasonable level. The overall opinion of the Chief Internal Auditor on the internal control environment for 2012/13 is "**some improvement needed**". Controls evaluated are judged to be generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. However, there are a number of areas where there is a need to enhance the governance arrangements in place, in particular:

- **Capital Monitoring** – as the council looks to borrow to invest significantly over the next 3-4 years in property for service provision, investment and regeneration purposes, it is important that this is in line with a clearly articulated and agreed strategy and that there is appropriate governance around such capital spending decisions.
- **Project Management** – there should be an increased focus on strong project management as an important tool in delivering change across the council. This should emphasise the importance of stakeholder engagement; ensure robust business cases with a strong financial rationale; and, require proper tracking of envisaged benefits to ensure their realisation.
- **Commercial Services** – governance around the four trading activities within Commercial Services should be strengthened and include greater visibility of the business plan and proper monitoring and scrutiny of performance against that plan.
- **Direct Payments (DPs)** – social care reviews should be conducted at least annually in accordance with stated policy and DP account reconciliations should be completed in a timely manner and refer to the associated support plan that details the purpose the DP has been agreed for.

Management Action Plans are in place to address the recommendations made by Internal Audit and actions will be implemented by the identified responsible officers.

**Focus for 2013/14**

Sustainability is key to the council's future and the Corporate Strategy and Medium Term Financial Plan will help guide long term efforts to invest smartly to encourage economic growth, support vulnerable residents, transform ways of working and build on capabilities and strengths to work effectively.

Continued collaboration with partners is another crucial part of the council's response to future challenges. Effective collaboration not only helps to find savings, but underpins efforts to improve outcomes for residents. Ensuring robust governance arrangements from the outset will provide the foundations for effective partnership working.

Internally, the council will continue to focus on engaging with people at all levels and right across the organisation to ensure sustained culture change, on strengthening its capacity and capability to innovate, and on the achievement of benefits and efficiencies from across the organisation through, for example, a more consistent and robust approach to project management.

Signed:

Leader of the Council  
July 2013

Chief Executive  
July 2013

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