[Annex 1]

Paul Evans
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Dear Paul,

REVIEW OF GOVERNANCE USING THE CFGS GOVERNANCE RISK AND RESILIENCE FRAMEWORK: PHASE 1 FINDINGS

1. Background

Following the publication of CfGS's Governance Risk & Resilience Framework in 2021 we had discussions on the potential benefits to assess Surrey County Council against this framework, to establish where development and improvement could assist the Council's future understanding and management of risk relating to governance.

The framework is a set of material designed to support councils to understand and act on evidence of risks to good governance. It is designed to complement and supplement the CIPFA "Good governance in local government" framework.

The core of this material is designed to help officers and councillors to reflect on and better articulate their perceptions of where risk lies – and to talk to others about those risks. It sets out a set of positive and negative behaviours that people may hold and helps to review the extent to which those are present or absent in a council setting. These characteristics relate to seven key aspects that connect to the way that governance works in local authorities:

Surrey County Council agreed to be an early adopter of this framework and to develop it into a bespoke 'Surrey Approach'. This involved CfGS supporting officers and members to reflect on their own perceptions of governance at the authority and the behaviours that surround it, through a series of interviews. CfGS bolstered these perceptions with reference to a range of council documentation, including the constitution, strategic information and management information.

It is important to note that this exercise has not been just about identifying where existing weaknesses might exist, but where there is the risk or potential of weaknesses emerging in the future.

This letter provides feedback on these perceptions – further to the rationale behind the framework, largely it reflects the Council's own collective understanding of its own strengths and weaknesses, and emerging risks.

On the basis of this information we propose to move to Phase 2 of this work, which we describe in more detail on page 15.

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2. Summary of findings

Good governance is the responsibility of both Members and Officers working together.

Behavioural and cultural issues relating to governance can either support, or hinder, core legal and constitutional mechanisms. There are current examples of authorities which have been faced with extreme risks and pressures around both governance and finances which have revealed shortcomings in governance that owe their cause to poor behaviours and culture.

These are not issues which currently apply in Surrey. Surrey's systems, processes and behaviours around governance are robust. But it is still necessary to prepare to strengthen and refine systems which are currently resilient. This continuous improvement in governance is important.

In any large organisation, there will be a range of different perspective on risks to good governance. Some of these will be shared by a wide range of elected members and officers – some not. Difficulties emerge when differences in perception of risk (and on the pressures affecting governance at the authority more generally) start to impact on how people work together day to day. There does not need to a shared corporate understanding of every issue – a "single version of the truth" – but different perceptions need to be understood and flagged, in order for risks to be tackled appropriately.

We carried out our work with the Council whilst Covid restrictions were still in place. This period has clearly illustrated the crucial role of robust governance. In particular it has highlighted the capacity needed to reorganise, repurpose and respond at a pace never previously experienced – our assessment took place alongside this experience.

The council is currently undertaking a process of improvement and transformation. It recognises the presence of historic weaknesses, and is actively trying to address these, and other matters. Through a range of conversations with councillors and officers, and through review of documentary evidence, we have mapped perceptions of strength and weakness against the "seven characteristics" of good governance set out in our "Governance risk and resilience framework".

These seven characteristics, and the behaviours that Surrey exhibits against each, is as follows.

- **Extent of recognition of individual and collective responsibility for good governance.** This is about ownership of governance and its associated systems. Recent change here has been significant, and positive. As should be expected, it is taking time to be embedded. Relationships have improved, but councillors and officers both feel there is a risk that a lag could develop in the extent to which robust and consistent systems are put in place to lend predictability to decision-making;
- **Awareness of political dynamics.** This is about the understanding of the unique role that politics plays in local governance and local government. Positive behaviour here recognises the need for the tension and "grit" in the system that local politics brings. There have been significant recent improvements here. Both members and officers feel that they may need a clearer understanding of other people's motivations and objectives. This challenge is not unusual. Given Surrey's ambition for change and improvement the need for additional resilience is perhaps more urgent than it would be elsewhere;
- **How the council looks to the future to set its decision-making priorities.** This is about future planning, and insight into what the future might hold for the area, or for the council as an institution and includes the way the council thinks about risk. The council has undertaken a fundamental shift in how it thinks about, and acts on, these issues. The

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organisation is now much readier to prioritise its work. However, there is a sense within the Council that there needs to be more clarity on how it proposes to manage the delivery of life and limb services which are not "priorities" in the sense of council improvement. Expectations around risk may need to be fleshed out more – new systems for managing risk are in place but behaviours (particularly amongst members) must not lag behind;

- **Officer and councillor roles.** Particularly at the top level, this is about clear mutual roles in support of robust and effective decision-making and oversight. Both officers and members recognise the tendency to focus on operational matters – there is also an awareness from some that expectations in some quarters around the speed of decision-making could be more realistic;

- **How the council's real situation compares to its sense of itself.** This is about internal candour and reflection; the need to face up to unpleasant realities and to listen to dissenting voices. Again, here there have been significant recent improvements. Here, CfGS flags a general risk that the council's confidence about its plans for change will tip into complacency. However, particularly amongst officers, there is an understanding of this. There is also an awareness (again, principally held by officers) that the way that the council works in partnership with others (including local people) needs to be strengthened;

- **Quality of local (external) relationships.** This is about the council's ability to integrate an understanding of partnership working and partnership needs in its governance arrangements, and about a similar integration of an understanding of the local community and its needs. External relationships are strong but officers and members recognise that the nature of the council's ambitions means they will need to be strengthened further – in particular, in the way that the council thinks about its strategic communications functions, internally and externally.;

- **The state of member oversight through scrutiny and audit.** This is about scrutiny by councillors, and supervision and accountability overall. Scrutiny enjoys support from the council's executive. Councillors want to strengthen scrutiny and the way that they engage with it, especially the way it prioritises its work.

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3. Where risks might be anticipated

3.1 Extent of recognition of individual and collective responsibility for good governance.

Behavioural issue in the framework	Perceptions by officers and members of the state of governance in Surrey, supported by documentary evidence
Relationships between principal statutory officers and the political leadership of the authority	Relationships are strong. Councillors and officers understand their mutual roles, and this is bolstered by a spirit of respect between individuals in key positions.

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Effective whistleblowing systems which employees know how to use if needed	The expected formal processes in place for whistleblowing are in place. A strong recognition exists that given the steps to address wider governance shortcomings in the recent past, further work will need to be undertaken (at all levels in the organisation) to ensure that wider organisational cultures "catch up" with these changes at the top of the organisation. There is recognition that staff will need reassurance that raising difficult or problematic issues will not have a negative impact on them and their careers.
Strong audit systems	Governance of risk is taken seriously and this has strengthened over recent years. The council has experienced performance challenges in the past, and these experiences have led to a significant strengthening of internal systems and processes. The Council is now determined to do things well and tackle issues head-on.

Member-led audit systems have recently been reinforced - this has been supported by the establishment of a Risk Governance Group.

These improvements were made to address weaknesses identified in this area in the recent past, so work taken to embed them needs to be monitored closely; the council recognises this need. |
| Lines of accountability and ownership which help the council to deal with cross-cutting matters | There is a potential for inconsistency around how policies and strategies are taken to Cabinet for approval, direction or decision. This was something raised by both officers and councillors.

Further work will ensure there is sufficient clarity around who is recognised as having a stake in certain decisions, who should be responsible for taking the final, legal decision on a given matter, and on what evidence. There has been discussion about improving the scheme of delegation, supported by further discussion between members and officers on their mutual roles, including who "owns" decisions at various parts of the cycle.

Initial improvements led, perhaps not intentionally, to more centralisation of authority and decision-making. In some ways this has been necessary to reset the organisation's overall approach – but the council recognises that a new approach is now needed. Considerable effort is being made to ensure that decision-making is more consistently devolved and appropriate authority and empowerment embedded within the leadership group and beyond. These |

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	issues, and behaviours around the tendency to escalate matters to senior levels for decision, will need to be kept under review.
Corporate approach to programme and project management	There is a large programme of innovation and change and a significant degree of pace within the council. This of course carries risk, and council planning accounts for this. The extent of appropriate decision-making authority will need to be balanced and assured to ensure that the demanding pace of innovation can be maintained with clarity over where and how decisions are taken.

Officers and members felt there could be refinements in the ownership of finance, performance and risk. Audit Committee, the internal audit function, the Risk Governance Group, scrutiny and Group Leaders all have some role here, but it would help if these roles were better articulated. |
| Debriefing from major projects and major decisions | Officers, and members, reflect on the impact and implementation of major decisions. Practice in this area has improved recently. |
| An understanding of where shortcomings within the council may cause problems | There is a recognition that recent improvements need time to take effect and become embedded. There is also frankness amongst senior officers – for example, in CLT – about areas where shortcomings lie and what improvements ought to look like. Capacity is recognised as a constraining factor – as is the risk of fatigue, as complex projects (such as children's services improvement) continue to move forward. There is a sense that in some areas the council has not quite got the right "balance" of governance checks and balances.

There is also a high level of confidence and self-belief about the council's capacity to continue to improve. The council recognises the risk that this self-belief does not transform into complacency. |

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3.2 Awareness of political dynamics.

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Understanding of the role and presence of politics	While there is a high level of mutual respect between members and officers, a deeper understanding of mutual objectives and motivations – particularly the nature of members' political motivations would be beneficial.
Officers' roles supporting political decision-making	There have been significant improvements in the way that officers draw together evidence and information to support member decision-making. On the political side, councillors could develop further their understanding of the challenges and constraints under which officers operate to ensure they have expectations, or demands, which are realistic.

3.3 How the council looks to the future to set its decision-making priorities.

Effectiveness of the corporate plan	Like most councils, Surrey is grappling with the need to make challenging and difficult decisions. The council has a target to save £150 million between now and 26/27. The council's refreshed Organisation Strategy sets out a strong narrative on prioritisation, and transformation. There is a sense that further steps may need to be taken for this prioritisation to follow through to how the council manages its business day to day – although this is a natural part of embedding a recently-agreed strategy. The Council knows that prioritisation means that some services exist which are not "priorities" for the purpose of this exercise, but which are nevertheless important. There is an awareness that the management of support of these services will need to be dealt with appropriately.
Risk awareness, and risk management	As noted above, structures and systems to support risk management have been significantly strengthened. Changes in behaviours and attitudes at a senior level can be clearly evidenced. It is not yet clear whether the culture and mindset of officers and members has shifted as a result of these changes, and that the right attitudes to risk permeate the whole organisation. There is still an assumption by members that they should be quite heavily involved in understanding and acting on operational risk – but we think that this is a by-product of the difficult place the council was in, and reflects members' awareness of the challenging financial situation.

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Senior people having the time and space to think about and act on the future	The refocusing of the organisation has involved significant, and meaningful, reflection by both politicians and officers about the organisation's focus and its future challenges – the Organisation Strategy reflects this. The scale of transformation activity being taken forward is significant. There is a perception that a risk could arise that this – necessary – work will make it more difficult for the council to respond to less visible, developing challenges, although this risk has not as yet emerged.
Quality of internal and external communications	The council has clearly communicated its new focus and priorities internally and externally. There is a confidence about the council's prospects for ongoing improvement. An important part of the new approach is for the council to forge a different kind of relationship with local people – members and officers feel that this should be seen as forming a foundation for a future "Surrey Model".
Thinking and action on potential long-term pressures	The council corporately has confidence that it has a good sense of the trends that are likely to have an impact on its work for the remainder of the decade, but those in senior positions are aware that there is not always a clear thread between this understanding and the way that decisions are made, and prioritised, on the ground.
Capacity in the organisation to consider strategic matters	The organisation is pursuing transformation while also tackling significant budget challenges. The risk that this leaves little headroom for ongoing thinking on priorities, and how they need to shift over time, is understood but the balancing act that this implies is likely to prove challenging. The 2021-26 plan feels to members and officers to be robust but there is a risk that changes in the coming years will not be used as a spur to refine that strategy. There may also need to be more thought put into member and officer succession planning – changes in personnel having a critical impact on the organisation's ability to deliver.

3.4 Officer and councillor roles.

Importance of ethical behaviours	There has been a recent, renewed focus on the importance of consistent, systematic behaviours, and on frankness and candour in how members and officers engage with each other.

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Councillor and officer conduct	Cross-party relationships are constructive – there is a view from some that there is the potential for more robust political dialogue and debate to surface and discuss the challenges the authority faces, although others are more cautious. Such challenge could bring more rigour to decision-making – this could be something managed through rethinking the role of the scrutiny function. Beyond this, most acknowledged that the culture and expectations around conduct are good at the top of the organisation. As noted elsewhere there is a need to ensure that similar expectations are shared throughout the whole organisation. There does continue to be a wariness on the part of some officers around councillor engagement.
Formal, and informal, methods of decision-making	As noted above, there is some uncertainty about the route that various strategies and decisions take towards a decision being made. Beyond this, there appear to be effective checks and balance (informal and formal) to strengthen the decision-making process, and officers and members are confident in those systems. For example, the "second reader" process whereby a different cabinet member provides another perspective on forthcoming reports feels effective. There are some worries about the extent to which decisions are made which are always anchored in a clear understanding of local community needs – there may be a need to re-address community involvement and engagement. We do note that this forms one of the main priorities in the Organisation Plan.
Appropriate officer and member ownership of major decisions	Some members' personal and professional backgrounds mean that they expect to make decisions quickly. While there is a general appreciation for the principles of good governance, there is sometimes a sense of impatience around the need to ensure that decision-making is robust. There is a recognition that clarity on these issues – on member leadership, particularly – will be critical in ensuring that the authority is able to tackle its financial challenges. There is an understanding of these issues and the steps necessary to resolve them at the top of the organisation, but

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	they may need to be articulated more systematically for the wider officer, and member, corps.
Clear demarcation of member/officer roles	We have seen examples of member/officer relationships which are sophisticated, and where there is mutual concern about ensuring that relationships are clear. Overall, Cabinet has a strong, strategic focus. It is never possible to have a clean-cut demarcation between the respective roles of members and officers; however, we have seen evidence of a tendency on the part of members to want to focus on operational detail. This is not unusual. More work is likely to be needed to ensure that officers and members can speak candidly to each other about their mutual expectations around roles in decision-making. The opportunity is available for members to be well-briefed on matters of importance to the authority – although we note that these briefings could be better attended.

3.5 How the council's real situation compares to its sense of itself.

The council's sense of the experiences of local people	The council has a good understanding of local people's needs and has sought in recent months/years to ensure that its priorities are better aligned to those needs. The need is recognised that a deeper understanding of local people's experiences continue to be developed. There is a collective member and officer understanding that the council could do more.
The presence of robust performance management arrangements	There has been a step change in the way that the council tackles performance management – more robust systems are now in place (through the business planning and performance management framework), which build clearer links with the council's long-term plans. Performance management is recognised as important but its connection to wider improvement (in a strategic sense) is not universally recognised. There is a view from some that there could be clearer and more consistent links with the council's plans to enhance both audit and the treatment of risks.

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	Performance information will need to be used more effectively by members, particularly through the operation of the scrutiny function.
Awareness of "nearest neighbours" / focus on the council's sense of "distinctiveness"	Surrey continues to focus on its own distinctiveness; this focus is necessary for an organisation to be able to understand its users' needs. In the past we know that this may have been used as an excuse not to learn from the experiences of other councils, but there is now a strong and growing understanding that the council has to look beyond its boundaries and learn from others.
Engagement with the wider sector	The council actively engages with its peers, and with the wider local government community.
Risk appetite and tolerance, and presence of risk mitigation	Councillors play an active role in setting the authorities appetite and tolerance for risk. The Council's 2021 Risk Management Strategy sets out a systematic approach for the understanding and treatment of risks - risk registers are generally of good quality, and ownership is clear on paper. It remains to be seen exactly how these new arrangements have bedded down; there is member and officer positivity, but this will need to be tested in the 2022 Annual Governance Statement.
Understanding of possibility of failure	From recent experience, the council has an understanding of how failure can manifest itself, and how it can be managed. There is a degree of frankness and candour in how risks (both relating to service delivery and relating to governance) are discussed and dealt with. The council has real strength in understanding where pressures arise and where the possibility of failure exists – council and officers recognise this. Members discuss these issues in Audit Committee, in scrutiny and elsewhere. Internal officer-led systems (such as audit) also provide resilience and confidence here. Internal audit is planning for the current uncertainties in the aftermath of the pandemic, new pressures facing local government and the challenges of the council's plans.

Officers working across organisational boundaries to solve problems	The council is doing work to make sure that the right decisions are being made at the right level; there is a recognition that this is as much about behaviour change as it is about the development of new protocols and work processes.
Investing in corporate capacity to change and transform	There is an understandable degree of fatigue around some of the large, multifaceted change being delivered in (for example) children's services and SEND improvement. The council is aware of this and the attendant risks; the council will need to assure itself that performance management arrangements exist which will see these kinds of risks escalated, with appropriate action taken to treat.

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3.6 Quality of local (external) relationships.

Communications as a strategic function	It is not clear the extent to which communications are treated as being central to the change and transformation activity currently being undertaken. The perception that communications are a strategic function of the authority may not be widely understood, despite the quality of these functions having improved significantly.
Extent to which information on which decisions are based is published and subject to challenge	Systems around decision-making (the preparation and availability of background papers, the preparation of business cases and options appraisals, and so on) have improved. A culture is emerging whereby challenge is seen as positive and welcome. However, we have been told of recent examples of decisions which have not been accompanied by consistently high-quality evidence, and where there has been a lack of rigorous oversight. The council recognises continued risks in this area and also recognises the need to tackle the behavioural issues which lead to these shortcomings. Cultural change does not happen overnight – it is to be expected that these changes will take time to percolate through the organisation, but ongoing risks provide another reason to be alert to the risk of complacency.

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Quality of council / partnership working, particularly around priorities and risks	The Council also seeks to share and to learn from others. This is illustrated well by the collaboration with East Sussex CC and Brighton and Hove City Council to establish and develop the Orbis Internal Audit Partnership. This is expected to deliver high quality and cost-effective assurance services to each partner, drawing upon the wide range of skills and experience from its constituent teams. This have provided new scale to audit resources collectively and provide for a specialist IT Audit and Counter Fraud services. This kind of learning and partnership working in audit and governance of risk is commendable and reflects the Council's clear intent to develop and strengthen its systems, capacity and expertise.

3.7 The state of member oversight through scrutiny and audit.

| Effectiveness of scrutiny, and audit | Historically, scrutiny has been seen as being in need of improvement at Surrey; more recently there have been positive changes. There is good chairing, focused questioning, and consistent officer support.

In common with many councils, there is not the evidence that demonstrates clearly that scrutiny does make a difference, and the perception therefore exists that recent improvements to the function may not have been sufficient – and that financial scrutiny in particular needs improvement.

There are some concerns (from both members and officers) about the level of participation of Members generally and their ability to digest and analyse the volume and technicalities of the information provided.

There is a perception, supported by evidence, that the work carried out by members on the audit committee has recently improved. Questioning here appears more forensic, and members are prepared to challenge the information brought before them; we have noted in sections above an improved profile for members on risk issues. |
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| Scrutiny / executive relationships | Relationships have recently improved; cabinet takes scrutiny seriously. Senior officers, too, have a productive and positive relationship with scrutiny. Although there is a view from some quarters that scrutiny exists mainly to keep members busy, the commitment to improve the function means that this may be receding. |
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Prioritisation of scrutiny work	Members do not shy away from controversial topics, but there is a tendency to focus on things that are of interest to councillors rather than things which are strategically important to the authority. Risks associated with this are more visible to officers and members. Finance, children's services, adult social care, and commercial activity are all areas (amongst others) which, though complex, would benefit from more consistent and sustained member oversight – complementing the substantial ongoing improvement work in these areas.
Training and development of scrutiny and audit chairs, and the broader councillor corps	We have not picked up any detailed issues around the need, and provision, of member training services – further discussion of the Surrey Model will identify how member development will fit into ongoing governance improvement.
Cross-party chairing and leadership arrangements	Cross-party relationships on audit and scrutiny appear positive. Chairing positions are held predominantly by members of the majority group but informal liaison between chairs and vice-chairs means that members of all groups feel that have some voice in how the scrutiny function operates, although there is not universal agreement on this point. The council has also recently appointed an independent person to sit on the Audit Committee.
Culture of scrutiny	An open and frank culture around scrutiny takes time to develop. Generally, scrutiny works well, although some areas where its focus and impact are more crucial, it could be better. We acknowledge that the council is making improvements – at the moment there are signs of progress but they may need to be articulated better as part of a clear plan centred on ongoing member and officer development.

4. Key features of a Surrey Approach

Phase 2 of this work is to translate these findings into a "Surrey Approach" – an approach to governance that accounts for the council's unique characteristics and which ensures that the authority's approach to governance is robust and resilient.

We think that some of the main features of such an approach could be:

- To emphasise the importance of individual responsibility for change and improvement, as well as collective responsibility;
- To set out (based on conversation and dialogue) consistent expectations around roles and responsibilities, as the council continues to improve;
- To ensure that, within these roles, people are able to act with frankness and candour;

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- To challenge members and officers to face outwards, to the council's partners and to local people, to redefine and re-energise those relationships;
- To bring a different attitude to the attitude [?] and treatment of risk (risk relating to governance, and also risk relating to the substantive delivery of services) – including more vigorous member ownership and oversight of high risk areas;
- To anchor the confidence and ambition of the organisation into a more accurate sense of where strengths and weaknesses lie;
- To link and strengthen key corporate roles – around law and governance, finance, audit, communications – with those roles being more visible to councillors.

The development of a Surrey Approach to act on the above forms Phase 2 of this project, originally planned to last into the summer. It would involve a mix of:

- Making practical changes to existing work processes / systems (including the constitution, and decision-making systems). CfGS has already undertaken a detailed review of the constitution to support the process so far;
- Bringing members and officers together to think and talk about behaviours, and expectations, relating to how people work together – developing scenarios to explore potential areas of tension and difficulty and understanding how risks to governance can be mitigated;
- Integrating this approach into the council's broader improvement plans, with a particular focus on strengthening the corporate core of the authority.

The development of a detailed plan for the above will be contingent upon the council's overall agreement with the analysis set out in this feedback letter.

We would welcome the opportunity to discuss this letter and its findings in a feedback workshop.

Yours sincerely,

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Head of Consultancy

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