

South Holland District Council**Annual Governance Statement****Scope of responsibilities**

South Holland Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. 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.

In discharging this overall responsibility, South Holland Council is also responsible for ensuring that there is a sound system of governance which: facilitates the effective exercise of its functions; guarantees that the financial and operational management of the authority is effective and includes arrangements for the management of risk.

South Holland Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website at www.sholland.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations (England) 2011 & 2015.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 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.

The governance framework has been in place at South Holland Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

The governance framework

The council is responsible for developing policies, making constitutional decisions and deciding local legislation. The council elects a leader for a term of four years, and the leader appoints a cabinet of up to nine other councillors, each holding a portfolio of responsibility. The constitution of the council is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decisions, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and

heads of service of the council. The monitoring officer ensures that all decisions made are legal and supports the standards committee in promoting high standards of conduct amongst members.

The Policy Development Panel & the Performance Monitoring Panel scrutinise decisions made by the cabinet, and those delegated to officers, and review services provided by the council and its partners. The monitoring officer promotes and supports the scrutiny functions of the council.

The Governance and Audit committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the governance arrangements; including the risk management framework, the associated control environment, financial and non-financial performance including exposure to risk and potential threats to the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

The overall budget and policy framework is set by an elected council assembly and all decisions are made within this framework. The council assembly is responsible for approving the general fund budget; the housing revenue account rent charges and budget, Capital strategy & expenditure programmes, Special expenses, Treasury Management & the Medium Term Financial Plan.

The statutory officers of South Holland Council are the Chief Executive, the Monitoring Officer and the Section 151 Officer. They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer (2010). The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

The statutory officers are also members of the authority's Executive Management Team. Service Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

Strategic leadership

The authority updates and issues a corporate plan on an annual basis setting out ambitions and aims for delivering an increase to the prosperity and wellbeing of our residents and businesses, whilst striving to protect and enhance the environment and unique historic character of the district. It explains the context of the area of South Holland, the challenges faced, and how the views of residents influence priorities for action. The corporate plan highlights planned activities over a four year period and sets out corporate values & behaviours.

Partnership working

The financial regulations of the council set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and management of financial and delivery risks.

The South Holland council shared management arrangement with Breckland District Council is now well-established and was reviewed during 2015, leading to structure changes to better reflect the needs of the Council at a strategic and operational level. This commitment to sharing a management team does not encompass the elected councils which will continue to exercise independent democratically accountable local government in their respective

districts, each having its own governance arrangements. A Memorandum of Understanding is in place, and sets out the governance arrangements for shared management and joint working.

Companies

Compass Point Business Services (East Coast) Ltd. (CPBS) was set up by South Holland and East Lindsey District Councils in August 2010 to deliver human resources, customer services, ICT, revenues and benefits, and financial services to the two authorities. South Holland District Council owns a 37% stake in the company with the remaining share being owned by East Lindsey District Council. Each authority has equal voting rights.

The CPBS board of directors includes councillors and chief officers of both authorities. The company has regularly reported its progress on performance of services to the monitoring officer, with quarterly shareholder performance being subject to Scrutiny. An annual business plan is approved by council. The ongoing governance arrangements are set out in the Service Level Agreement (SLA), and a Management Agreement is in place that sets out the partnership arrangements, principles and parameters.

The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors is responsible for preparing the Director's report, financial statements and governance arrangements for the company.

Welland Homes Limited was set up during the year and the council is the sole shareholder. The board of directors is responsible for preparing the Director's report, financial statements and governance arrangements for the company. Officers of the council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the council when delivering services to the authority.

Quality of service

The annual business planning processes are part of an integrated planning framework which ensures that service planning and related resource management flow from the Corporate Plan and the Medium Term Financial Plan. The overall effectiveness of services is measured through the performance management framework. Quarterly service and financial performance is reported formally to Cabinet.

Transparency

The Council strives to be publicly accountable and routinely presents its work with openness and transparency on its website in accordance with the requirements of the Local Government Transparency Code 2014.

Complaints

The Council has in place a whistle-blowing policy as well as a compliments and complaints procedure that ensure that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are a cornerstone of the management approach of the Council

Functions and roles

Effective leadership

The Constitution sets out roles and responsibilities for the Council and its standing committees. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Roles and responsibilities of Councillors are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended national model with some additional local

interpretation. A clear Officer/Member delegation framework exists to provide clarity on the powers entrusted in those appointed to make decisions on behalf of the Council.

The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to Councillors for decision have first received consideration in respect of all appropriate and necessary, legal, financial and professional matters, as well as risk. This has been expanded to include coverage of technical matters such as carbon footprint. The Council updates and publishes Key Decision and Exemption Plans. This is a record of all key and exempt decisions the Executive expects to make in the next twelve months.

Working relationships

The Constitution of the council sets out all schemes of Delegated Authority for Officers, including the conditions of such delegation.

All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in the Council so that individuals can be assessed against them to identify suitability for the posts, areas of strength and areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation and help to identify the types of behaviour the Council wishes to promote, develop and engender.

Standards of conduct

The council has a duty to promote the highest standards of conduct and personal behaviour from members including co-opted members of the authority and expects the highest standards of conduct and personal behaviour from staff. These standards are defined and communicated through codes of conduct, protocols and other documents.

Financial and risk management

The Executive Director (Commercialisation) is designated the responsible officer for the administration of the financial affairs of the council under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the Council money laundering reporting officer. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer.

The Council operates a strong financial management framework to ensure the lawful and best economic use of the Council's assets. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are periodically reviewed to ensure they remain effective in supporting sound internal control.

Legal and regulatory compliance - Compliance with established policies, procedures, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer (Democratic Services and Legal Manager) and the Chief Finance Officer (Executive Director Place) the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision making.

Councillor and officer development

The Council has adopted a Councillor Development Policy and Strategy and delivers a comprehensive training programme to ensure that councillors have the opportunity to further develop skills, necessary to serve their communities. In March 2015 the Council renewed its accreditation with the Member Development Charter.

Staff performance is managed using a performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to corporate priorities and goals. All Council employees have an annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year.

There is a strong working relationship between Councillors and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles. The Council has an embedded induction process and a continuous development ethos.

Senior officers are also expected to keep abreast of developments in their profession at all times.

Community engagement

The Council is committed to listening to and involving the community and consistently demonstrates that it does, therefore both the Medium Term Financial Plan and the Corporate Plan went out for public consultation prior to adoption. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs. Our community engagement strategy provides a robust strategic framework for addressing the most significant barriers to engagement in South Holland, and a programme of action for improving information provision, consultation and empowerment. This is complemented by our web strategy and on-line capability.

Risk Management

Risk management continues to be an integral part of the daily activities of the council. All Member decisions are supported by a commentary on the risks involved in taking the decision with this developing greater Member appreciation of risk, not least through reports to the Governance and Audit Committee.

Arrangements are embedded in the Corporate Risk Management Strategy and risk registers which are regularly reviewed and changed in line with current circumstances..

Legal powers

The Council understands its legal powers and limitations, and seek to ensure that it acts lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment,

the annual report of the Head of Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates.

The Governance and Audit Committee provides advice on the effectiveness of the governance arrangements. It has an important role as the designated audit committee for the Council and considers the findings of internal and external audit. It ensures that audit recommendations are implemented and considers the effectiveness of arrangements for securing internal control. It challenges the authority's performance against key performance indicators and assesses key corporate risks on an exceptions basis to ensure that sufficient mitigating action is taken to manage corporate risk.

The S151 Officer has provided the Internal Audit service through a contract with Lincolnshire County Council which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the Governance and Audit Committee. An annual internal audit report and opinion is also produced for the Governance and Audit Committee which comments on the overall effectiveness of our control environment. Adequacy of internal controls is scored as either a full, substantial, limited or no assurance by internal audit.

From the work undertaken by Internal Audit during the year the Head of Internal Audit and Risk Management provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control arrangements. Governance and risk management are deemed to be 'Performing Well' with financial control and internal control or 'Performing Adequately – some improvements required'. Some issues have been brought to the attention of the Governance & Audit Committee including Grant claim audits particularly in respect of Housing Benefit subsidy. All issues raised are subject to action plans to improve the control environment.

The Executive Management team receives regular reports from governance boards which were set up to manage corporate performance and risk. These boards include Transformation, Commercialisation & Growth, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are a number of other groups covering cross cutting themes and specific services which also report to the Corporate Management Team.

South Holland Council also participates in the Lincolnshire Counter-Fraud partnership and regular updates are circulated within applicable departments & Partner organisations to ensure controls are amended as necessary.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Cabinet and Governance and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

The work of Internal Audit is highlighted in an Annual Report which may raise concerns on service delivery arrangements, management of risks and operation of controls.

The review of effectiveness provides good overall assurance on the system of internal control. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

The council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the medium to long term:

- Transformation and new ways of working, a combined programme based on Digitalisation, Aligning Public Services, Organisational Design and Commercialisation is in progress.
- The Greater Lincolnshire Devolution agreement signed in March 2016 and potential governance issues surrounding a new Combined Authority with Accountable Body status and a Mayoral function.
- Ongoing and additional impact of business rates specifically in relation to appeals, and generally on the achievement of government targets, the review of business rate retention arrangements, potential extension of discretionary rate relief policy on funding and pooling arrangements within Greater Lincolnshire.
- Continuing impact of reduced government funding, reductions in housing rents and implications of right to buy and other national housing policies.
- Continued potential impact of welfare reform including the delayed introduction of universal credit – work is still required to understand the timing and detail of the roll out and to quantify the possible impact across the council.
- Ongoing and additional impact of Housing Benefit subsidy particularly in respect of Local Authority error rates

Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including the continual development of the risk management framework. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored by the Executive Management Team and Governance and Audit Committee through the year and be considered in our next annual review.

Signed on behalf of South Holland District Council

Anna Graves
Chief Executive
Date:

Gary Porter
Leader of the Council
Date: