

ANNUAL GOVERNANCE STATEMENT

For the Year Ended 31 March 2019

Scope of responsibilities

South Holland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, 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 District 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 District 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: <https://www.sholland.gov.uk/article/5700/Standards-and-Code-of-Conduct>

This statement explains how South Holland District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 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.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, 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. 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. It cannot eliminate all risk and can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework has been in place at South Holland District Council for the year ended 31 March 2019 and up to the date of approval of the Financial Statements.

The Governance Framework

Vision and Priorities – the Council's ambition is to continue to increase the prosperity and wellbeing of residents and businesses, whilst striving to protect and enhance the district's environment and its unique and historic character. Council priorities are:

- To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable,

- To have pride in South Holland by supporting the district and residents to develop and thrive,
- To provide the right services, at the right time and in the right way, and
- To encourage the local economy to be vibrant with continued growth.

Quality of Services - The Council has an established Performance Management Strategy which sets out how it monitors both performance and the delivery of objectives and risks. The framework for managing performance has been completely reviewed in light of changes to the business planning and shared management arrangements, with new performance measures also being developed to reflect the change in central government policy to move away from national targets to those that better identify with local requirements'.

Operational Governance - The Council has produced an operational governance document whose purpose is to ensure the senior officers effectively manage the business of the Council, this document is reviewed regularly (last reviewed November 2018). It covers the shared management officer led groups/boards which report to the Executive Management Team (EMT) and then through to Corporate Management Team (CMT) as required. Each group/board is supported with agreed terms of reference and the minutes and actions are reviewed by EMT. EMT manages the business of the Council and CMT escalation of corporate level issues risks and decisions. The groups/boards cover a wide range of areas, such as; Finance, Performance Risk and Audit, Joint Safeguarding, statutory officers group and Transformation to name a few. There are a number of other groups covering cross cutting themes and specific services which also report to the Corporate Management Team.

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

Constitution and Responsibilities - A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. It sets out how the Council operates, 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. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax,
- A limited number of policies are reserved to the Council, either by the Council's own choice or because they are allocated by law (together these are known as the Policy Framework). Subject to any specific legislative requirements, the Cabinet is responsible for all policies outside of the Policy Framework,
- For its most significant decisions, the Cabinet works to a Key Decision Plan of forthcoming decisions for up to twelve months ahead,
- All decisions, along with formal minutes of all committee meetings are published on the Council's website,
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committees through the Policy Development Panel and the Performance Monitoring Panel and associated task and finish groups. The Panels scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The Panels have developed their own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. The Panels can 'call-in' a decision which has been made by the Executive but not yet implemented,

- 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. It also has the responsibility for the approval of the Statements of Accounts and review of treasury policy and outturn.
- Separate committees exist for Planning and Licensing.
- Delegation arrangements to committees, the Executive and officers are set out in detail within the constitution, and
- Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings. The constitution as a whole is reviewed periodically with interim updates as and when appropriate. A complete review of the constitution was carried out in 2015/16 to ensure that it remains relevant and effective. Formal adoption of the revised constitution was made at Full Council in January 2016 and there is a standing item at Full Council for any minor updates to be made.

Effective leadership - The Constitution sets out roles and responsibilities for the Council and its standing committees, as well as the Leader, Cabinet and Portfolio Holders. 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 Exempt Decision Plans. These record all key and exempt decisions the Executive expects to make in the next twelve months.

Policies, Procedures, Laws and Regulations - The statutory officers of South Holland District Council are the Head of the Paid Service, the Monitoring Officer and the Section 151 Officer. They are responsible for staff and 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).

Compliance with established policies, procedures, statements, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer (Executive Director Commercialisation) 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.

The Council understands its legal powers and limitations, and seeks 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.

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

Working relationships - The Constitution of the Council sets out a number of delegated authorities for Officers, including the conditions of such delegations. Other delegations may also be granted separately from the constitution and these are recorded in a log maintained by the Monitoring Officer.

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, which align to the corporate Core Values and help to identify the types of behaviour the Council wishes to promote, develop and engender.

Codes of Conduct - The Council's constitution contains codes of conduct applying to members as well as a protocol for councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby members and officers work together to deliver the Council's vision and quality services to its residents. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officers are maintained by the Council. The Members' Code of Conduct was reviewed during 2016-17

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.

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 District Council shared management arrangement with Breckland District Council has been in place for many years and is well established. Despite the commitment to sharing a management team the two Councils continue to exercise independent democratically accountable local government in their respective areas, 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.

Group Companies – Public Sector Partnership Services Ltd, (PSPS), formerly 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 PSPS 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 are responsible for preparing the Director's report, financial statements and governance arrangements for the company.

Welland Homes Limited was set up during 2015-16 and became fully operational in 2016-17 with the Council as 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.

Transparency

The Council strives to be publicly accountable and to present its work with openness and transparency. As such, the authority routinely publishes data on its website in accordance with the requirements of the Local Government Transparency Code 2015. In addition Committee reports, minutes and decision records are all available on the website. The Council also applies the principle that everything is publically available unless there is a substantial reason for not doing so.

Functions and roles

Financial 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.

Risk Management

The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. South Holland District Council has developed its performance system to maintain a register of the key strategic risks it considers it faces along with the actions planned or taken to mitigate these risks, which have been monitored by Performance, Risk and Audit Board, Executive Management Team and the Governance and Audit Committee on a regular basis. Risk logs are also being used to manage the risks for key projects and partnerships, along with other project management techniques, and all key decisions are required to be assessed for risks. All committee reports contain a mandatory risk section to ensure that members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.

Data Protection

Following the implementation of the General Data Protection Regulation (GDPR) 2016/679 and Data Protection Act 2018 our policies, practices and procedures have been updated and continue to be updated to reflect changes and guidance as it is issued. Data Protection continues to be a priority and is being overseen by the Executive Manager for Governance, the Information Governance Officer and a corporate governance group; the Statutory Information Group. Progress is reported to the Executive Management Team on a monthly basis and the Council received 'Reasonable Assurance' for a GDPR audit in January 2019.

Councillor and officer development

The Council has a Councillor Development Working Group and provides opportunities to all members to undertake appropriate Development, both on first election and on an on-going basis. In addition certain regulatory committees require member training before undertaking that role. The Council is working towards reaccreditation for 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 a minimum of one annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year. PDR's include a process for identifying training and development needs, setting objectives, providing a mechanism for feedback, in addition to aligning to the corporate core values and competence frameworks required by staff.

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 and attend suitable training to maintain their professional competency.

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 online capability.

Review of effectiveness

South Holland District 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 Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness covers all group activities undertaken by the Council with other partners.

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution,
- The Corporate Business Plan,
- The Medium Term Financial Plan and Capital Strategy,
- The Licensing Authority Policy Statement,
- The Corporate Asset Management Strategy,
- The Treasury Management and Investment Strategies, and
- The Gambling Policy.

The Leader

- Executive powers vest in the Leader and the Leader has approved delegations to the Cabinet and Executive Members (Portfolio Holders). The Leader exercises executive functions which have not been expressly delegated to Cabinet or the other Executive Members.

The Cabinet is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly:

- Takes executive decisions,
- Approves policies other than those reserved for Council, and
- Recommends to Council policies and budgetary decisions.

The Executive consists of the Leader and Executive Members (Portfolio Holders), who together are the Cabinet and most day to day 'executive' decisions fall to the Executive under the law.

The Overview and Scrutiny Commission may undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to Account (Call-In),
- Performance Management,
- Assist Policy Development and Review, and
- Internal/External Scrutiny.

The Governance and Audit Committee

- Considers and approves audit plans,
- Considers audit reports,
- Comments on the work of audit in addressing the authority's significant risks,
- Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,
- Annually self-assess themselves against best practice guidance to check their effectiveness,
- Approves the Statements of Accounts,
- Reviews treasury policy and performance, and
- Consider standards issues.

Executive and Corporate Management. CMT review corporate responsibility, direction and delivery of corporate plan, direction and delivery of resources, horizon scanning and key controls. EMT receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, 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.

Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.

External Auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements,
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice, and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

External audit is provided by Ernst & Young LLP (EY). Following the annual audit EY issues an Audit Results Report to the Governance and Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.

Internal Audit

The S151 Officer has provided the Internal Audit service through a contract with Eastern Internal Audit Services Ltd which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the Governance and Audit Committee. **The Head of Internal Audit** provides an independent opinion on the framework of governance, risk management and control, which is incorporated in the Annual Report and Opinion. The Head of Internal Audit also places reliance on the outcomes of the work undertaken by East Lindsey District Council in relation to the services provided by Public Sector Partnership Service Ltd.

The internal audit conclusions are scored as either Substantial, Reasonable, Limited or No assurance by internal audit.

From the work undertaken by Internal Audit during the year, the Head of Internal Audit provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control; for the 2018/19 financial year the opinion concluded is of reasonable assurance, which is an improvement from 2017/18 when a limited assurance opinion was reported.

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

All issues raised are subject to action plans to improve the control environment.

In 2018/19 Internal Audit conducted a total of eighteen audits and reported a limited assurance opinion for two areas, these were Procurement and Contract Management and Financial Services.

For Procurement and Contract management, three out of nine important recommendations remain outstanding at year end and relate to; production of a procurement strategy, providing clarification on officer authorisation and reviewing the contract template. For Financial Services; six urgent priority recommendations have been raised and are in progress.

With regards to 2017/18, the Head of Internal Audit has reported that out of the 85 total recommendations raised, five significant recommendations of urgent and important priority remain outstanding from Limited/No Assurance reports raised. These recommendations should therefore be reported in the AGS until resolved, these are detailed as follows:

Two urgent and one important are outstanding remain outstanding from the 2017/18 Asset Management report. They relate to carrying out a programmed review of all leases, carrying out end of tenancy inspections and updating the lettings policy. These recommendations will be completed following a review of the service, which is currently underway.

Two High Priority recommendations are outstanding. Income collection software had been implemented and was still in the testing phase. The recommendation sought assurance that testing would be completed and the software implemented. The other recommendation relates to undertaking regular review of system user permissions to approve transactions in the accounting system. This has been significantly reviewed and brought up to date, though not yet complete. The risk will be reduced and the recommendation will be completed early in the new financial year.

Certification

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.



**Anna Graves
Chief Executive**

Date:



**Lord Porter of Spalding
Leader of the Council**

Date: