

## **South Holland District Council** **ANNUAL GOVERNANCE STATEMENT**

### **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 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, the Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

To this effect 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 [www.sholland.gov.uk](http://www.sholland.gov.uk)

This statement explains how South Holland District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations (England) 2011.

### **The purpose of the Governance Framework**

The governance framework comprises the systems and processes, and cultures and values, for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. Our governance framework enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 (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 our policies, aims and objectives. Through it we evaluate the likelihood of those risks being realised and the impact should they be realised, to enable us to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended March 2014 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

**Strategic leadership** - Our corporate plan covering the period 2011 to 2015 sets out our high level plans for delivering our longer term vision for South Holland to be a thriving, living, working, rural community. It explains the context of the area of South Holland, the challenges we face, and how the views of residents have influenced our priorities for action. The corporate plan is about what the Council plans to achieve over the four year period, and sets out the Council's corporate values and behaviours and identifies the five priority areas.

**Partnership working** - The Council's financial regulations 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. This work is strengthened by our involvement in the Greater Lincolnshire Risk Forum, of which we are a member.

The Council has an arrangement with Breckland Council which shares a management structure and some services. Both authorities continue to operate independently, serving the needs of their own communities. There is Memorandum of Understanding in place which sets out the governance arrangements. 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.

**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 client officer, with a quarterly shareholder performance reported to Scrutiny. The company's business plan is approved annually by council. The ongoing governance arrangements are set out in the Service Level Agreements (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.

The Council is the sole shareholder of the Red Lion Quarter Community Interest Company, with two councillors on the board of directors. Action has been taken to dissolve the company as it as remained dormant throughout the year.

**Quality of service** - Our annual business planning processes are part of our integrated planning framework which ensures that service planning and related resource management flow from the Council's Corporate Plan. We measure the overall effectiveness of our service delivery through the Council's performance management framework. Quarterly service and financial performance is reported formally to Cabinet.

All performance is subject to detailed review and challenge by the Performance Monitoring Panel who report on areas of concern to the Cabinet. The Council has reviewed its basket of corporate performance indicators in light of its priorities and national changes to local authority performance reporting, and formally reports on a quarterly basis to the Performance Monitoring Panel and Cabinet.

**Transparency** - As a Council we want to be publicly accountable and present our work with openness and transparency. As such, any expenditure over £500 (including VAT) with external suppliers has been made available online in a monthly report, as part of a move to make this information more easily accessible. These reports are published approximately 10 working days after the end of each calendar month. The authority also reports on the pay and benefits for senior officers as well as its Pay Policy and contracts register.

## Functions and roles

**Effective leadership** - The Constitution documents 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. Councillors' roles and responsibilities are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended 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 a Key Decision Plan. This is a record of all key decisions the Executive expects to make in the next twelve months.

**Working relationships** - The Constitution sets out the Scheme of Delegation to Officers including the conditions of 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.

## Conduct and behaviour

**Standards of conduct** - After the 1st July 2012, the new arrangements were implemented for dealing with complaints against councillors, in line with the Localism Act 2011. The Act gave Councils the freedom to adopt their own local Code of Conduct and South Holland District Council chose to adopt a Code based on the LGA template code (available on the Council website). The Council set and agreed its arrangements for dealing with complaints against Councillors and these are now in place (further details of the arrangements are available on the Council's website). The Council also appointed an Independent Person, a new role defined in the Localism Act 2011. Under the new arrangements, the Monitoring Officer considers complaints in the first instance and consults with the Independent Person where necessary. Although the Standards Committee was dissolved as permitted under the Localism Act 2011, a Standards Panel has been established to consider complaints that have been investigated. All arrangements for Standards will be reviewed as the new system is embedded.

The Council also has an Employee Code of Conduct and there are a number of specific policies set out on the Council's intranet sub site "working here" (eg on bullying, sickness etc).

**Financial and risk management** - The Assistant Director Finance is designated the responsible officer for the administration of the Council's financial affairs 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 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.

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 regularly 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 (Assistant Director Democratic Services) and the Chief Finance Officer (Assistant Director Finance) 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. Council made interim appointments for the role of Chief Executive through the year, with a permanent appointment starting in May 2014.

A complete review of the constitution has been carried out to ensure that it remains relevant effective. Formal adoption of the revised constitution is expected in 2014. A revised Local Code of Corporate Governance has been produced following updated best practice guidance from CIPFA and Solace on 'Delivering good governance in local government'.

**Councillor and officer development** - The Council is committed to the development of councillors and staff at all levels of the organisation. It has maintained its Investors in People accreditation.

The Council has adopted a Councillor Development Policy and Strategy and delivers a comprehensive training programme to ensure that councillors have the opportunity to develop the skills to serve their communities. In March 2010 the Council was accredited with the Member Development Charter, and is seeking to renew this in 2014.

**Community engagement** - The Council is committed to listening to and involving the community and consistently demonstrates that it does. 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.

### **Organisational values**

The Council has adopted a set of organisational values and behaviours:-

**We value our citizens.** We will conduct our business in an open and accountable way.

**We value our customers.** We will always listen and treat them courteously and fairly. We will effectively deal with their enquiries, service requests, suggestions and complaints.

**We value our staff and elected members.** We will enable them to do their jobs well.

**We value honesty and integrity.** We will always tell the truth and our actions will be consistent with these values.

**We value the environment in which we live.** We will act responsibly towards its future.

**We value giving value for money.** We will balance the cost, standard and customer view of the services we provide.

The complaints procedure ensures customers get their needs met in a fast, courteous, fair and consistent manner and a resolution is achieved as quickly as possible. Complaints are taken very seriously and the Council learns from issues raised to help improve services. The complaint procedure was reviewed and simplified during the previous reporting period and a new process implemented from April 2013.

### **Scrutiny and managing risk**

**Scrutiny** - The Constitution sets out how the Council operates and the process for policy and decision making. Full Council has overall responsibility for the Constitution, Scheme of Delegation, Budget and Policy Framework. There are two scrutiny committees the Performance Monitoring Panel and the Performance Development Panel. The panels are supported by designated Scrutiny Officer resource.

**Risk Management** - The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. Risk management remains an integral part of the Council's day to day thinking. All Member decisions are supported by a commentary on the risks involved in taking the decision (or not taking the decision) with this developing greater Member appreciation of risk, not least through reports into the Governance and Audit Committee.

**Legal powers** - 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.

### **Capacity and capability**

**Skills and resources** - 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.

**Development and performance** - The Council provides a full range of development opportunities for Councillors. Staff performance is managed using a new 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 the corporate priorities and goals. All Council employees have an annual Performance Development Review which are followed up and monitored by the reviewer and reviewee throughout the year via informal progress discussions.

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

The Governance and Audit Committee has a responsibility to advise on the effectiveness of our 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 our 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 has provided an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control arrangements. Financial control and risk management are deemed to be 'Performing Well' with governance and internal control 'Performing Adequately – some improvements required'. Some issues have been brought to the attention of the Governance & Audit Committee. These items have been highlighted in the next section. All are subject to action plans to improve the control environment.

The Governance and Audit Committee ensures the effective implementation of recommendations from our internal and external auditors and considers the effectiveness of our internal control environment.

### **Significant governance issues**

The work of Internal Audit is highlighted in the Internal Audit Annual Report. The report has raised some concerns on service delivery arrangements, management of risks and operation of controls and has only been able to provide 'limited assurance' for some of our controls. The report reflected on the internal audit reviews conducted during the year and identified some areas for improvement:

- **Add any items raised in Internal Auditor's Report.**

The authority is involved with a planning complaint that had been referred to the Local Government Ombudsman. It is a complex issue which has been considered by Council at a number of meetings, the most recent on 15 May 2013. The Council has accepted the Ombudsman's findings and approved an alternative compensation payment. The other party initiated judicial review proceedings against the council which was not upheld by the court. Consequently the other party submitted leave to appeal which the court is considering.

The ongoing levels of reduction in public expenditure, combined with major changes in the funding of local government present major governance challenges to the Council along with most other local authorities. While South Holland has a balanced budget in the coming financial year, it will have to implement a transformation programme to address budget shortfalls over the medium term. A combination of growth (to generate income) and efficiency measures are planned, and will go through appropriate scrutiny and formal approval before being committed in the budget and medium term financial plan.

**Certification**

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing mitigating risks will be monitored by Corporate Management Team and Governance and Audit Committee through the year.

Signed:.....

(Leader)

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(Chief Executive)

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