

Annual Governance Statement

1. Scope of Responsibility

South Hams District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

South Hams 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 on our website. Your council/Policies and Strategies/Council Policies/Code of Corporate Governance, or can be obtained from the Internal Audit Manager, South Hams District Council, Follaton House, Plymouth Road, Totnes TQ9 5NE.

This statement explains how South Hams District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. 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 its activities through which it accounts to, engages with and leads the community. 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, 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 therefore 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 South Hams District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Hams District Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

The key elements of the systems and processes that comprise the Council's governance arrangements follow under the headings (*italics*) suggested by the CIPFA/SOLACE guidance:

- ***Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users:***

Elected members set the Strategic direction and this communicated to the community through the Council and Performance Plan (June 2007), a booklet sent with all Council Tax bills, a formal annual report sent to all households in the Council's quarterly magazine, and the Council's Internet web-site.

- ***Reviewing the authority's vision and its implications for the authority's governance arrangements:***

The aim (vision) and corporate priorities are periodically reviewed by members (Corporate Priorities: Executive - January 2008), and the impact on governance by an annual compliance review of the Code of Corporate Governance with the results reported to the Audit and Standards Committees.

- ***Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources:***

The 'Council Plan and Performance Plan 2007 and Beyond' (June 2007) provides users with an overview of achievements, aims and priorities including a range of performance indicators covering the majority of the Council's services. These are also reflected in the Council Tax booklet sent with all bills, a formal annual report sent to all households in the Council's quarterly magazine, and the Council's web-site. Key indicators are monitored throughout the year by members and senior officers.

Each Head of Service draws up a service plan setting out, for the coming year, the obligations and objectives of their area of responsibility linked to the Council's priorities. The Service Plans also link to the budget setting process, risk management framework and the system of internal control.

The Council also publishes on its web-site annually a Medium Term Resource Strategy covering the following five years, 2007/08 to 2011/12 reported to the Executive in September 2006.

Inspectorate reports are received and acted upon, e.g. external audit; the Comprehensive Performance Assessment (CPA) report feeds the Council's Improvement Plan. The Improvement Plan is loaded into the performance management system and actions allocated to named managers and monitored.

The external auditors' review of the Council's Statement of Accounts, governance arrangements and performance management is summarised in an annual audit letter to members presented to the Audit Committee.

- ***Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:***

The Council's Constitution, which is available on the Council's web-site, defines and documents the roles and responsibilities of the executive, non executive, scrutiny and officer functions, and contains clear delegation arrangements.

The Constitution also includes a page for a Protocol on Councillor/Officer Relations. However, it only contains guidance on what should be contained within such a Protocol, a position that is reflected in Section 4 of this Statement - Significant Governance Issues.

Protocols for effective communication are in place including a Corporate Communications Policy which was drawn up in 2002. The Public Relations team are currently in the process of drafting a new Communications Strategy.

- ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;***

Part 5 of the Constitution sets out the code of conduct for elected members (2007).

Officers are currently subject to the code of conduct applicable to all Local Government Officers, as set out in the National Scheme of Conditions of Service. These are supplemented by local conditions. The Code of Conduct and Standards of Behaviour for Staff documents are published internally in pages of the Council's Intranet, which is available directly or indirectly to all staff.

The Codes require interests, and, gifts and hospitality for both members and officers to be reported to the Monitoring Officer who maintains a Register.

Training on personal/prejudicial interests and diversity is provided to members.

- ***Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:***

Part 3 of the Council's Constitution contains a Scheme of Delegation to Officers, which together with the Standing Orders Relating to Contracts (Constitution: Contract Procedure Rules) and Financial Instructions (Constitution: Finance Procedure Rules) and supporting procedure notes and manuals form a key part of the Council's control environment;

The formal management of risk is in place and subject to annual internal audit and external inspection through the Audit Commission's 'Use of Resources' process, and include an approved Strategy, risk registers, and consideration of risk and opportunities in reports to members and project management;

- ***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:***

Article 10 of the Constitution sets out the function of the Audit Committee, which is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance and to oversee the financial reporting process;

The Terms of Reference are based on the CIPFA Audit Committees – Practical Guidance for Local Authorities;

Part 4 of the Constitution includes 'Rules for Other Bodies of the Council', sets out the membership requirements for the Audit Committee.

- ***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:***

Part 3 of the Council's Constitution includes both the Responsibility for Functions (Local Choice and Council) and the Scheme of Delegation to Officers.

Article 12 of the Constitution sets out the statutory functions of the Monitoring Officer, which includes ensuring lawfulness and fairness in decision making;

These responsibilities are reflected in the related job description and specification. The Scheme of Delegation to Officers reflects statutory provisions.

- ***Whistle-blowing and for receiving and investigating complaints from the public:***

Also published on both the Council's website and Intranet is:

- A formal confidential reporting (whistle blowing) system, and grievance procedure that enables officers to formally complain about issues of concern in respect of behaviour etc., without fear of reprisal;
 - An Anti-fraud and Corruption Strategy and Response Plan, also available on the Council's web-site;
 - A Complaints and Suggestions page which outlines to the public the procedure for making a complaint;
 - Links to the Local Government Ombudsman;
 - A Local Code of Conduct – Complaints Procedure enables people to complain about members who may have breached the Code.
- ***Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:***

Article 2 of the Constitution states that "Councillors will develop and maintain a working knowledge of the authority's services and policies and take advantage of appropriate training and development opportunities to enable them to fulfil their role";

Immediately after any elections, a comprehensive Induction Programme is delivered for newly elected members and a manual containing relevant information is provided. Other ad hoc training is also provided as required;

However, there is currently no formal training and development plan in place for members, beyond the Induction Programme, and this has been reflected in the Governance Issues at section 4 of this document.

Article 12 of the Constitution details the Management Structure of the Council, including functions of the S.151 Officer and the Monitoring Officer. A Scheme of Delegation to Officers reflects statutory provisions;

The responsibilities of each management post are reflected in the related job descriptions and specifications;

A programme of training is provided to these officers that is linked to the annual Employee Appraisal scheme, which includes identification of one off training requirements as well ongoing professional training.

- ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:***

Article 3 of the Constitution sets out what citizens can expect from their Council and what rights they have. This includes the right to attend meetings of the Council, the Executive and other bodies of the Council except where confidential or exempt information is likely to be disclosed;

Meetings of member bodies are scheduled using a calendar of meetings, and recorded through a system of Agendas and Minutes. The Constitution contains the Rules of Procedure for meetings and Forward Plans detail issues to be considered at future meetings;

An Information Access Policy incorporates the requirements of the Freedom Information Act 2000, Data Protection Act 1998, Environmental Information Regulations 2004 and the Reuse Of Public Sector Information Regulations 2005.

The Local Development Framework (LDF) sets out the Council's future plans and the Core Strategy contains the strategy and vision to 2016.

A Statement of Community Involvement (SCI) has been produced as part of the LDF and includes the Community Involvement Policy 'A Policy for Working with our Communities' which. The SCI was adopted by the Council on 15th June 2006.

Local Strategic Partnerships are in place (South Hams and Devon) to ensure that all agencies and groups have the needs of local people at their core;

Other arrangements and documents for communicating and consulting include:

- The Sustainable Community Strategy 2007-11, and Devon Local Area Agreement covering the period 1st April 2005 to 31st March 2008;
 - A Social Inclusion Policy & Strategy 2007/2012;
 - The Community Grant Fund which supports community led projects. The Community Grant Fund Policy and Guidance Notes are available to groups;
 - Community pages of the Council's web site with related links;
 - Launch of the Customer First Charter and its associated service standards;
 - Sounding Board – Citizens panel and surveys reflected in the Council's Performance Plan, plus
 - Other community consultation.
- ***Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements:***

Article 11 of the Constitution allows members and officers to enter into joint arrangements with other bodies in order to promote the economic, social or environmental well-being of the Council's area;

The Council's Partnership Framework document, reviewed in April 2007 by the Community Policy Development Group, contains a checklist which guides officers in considering the purpose of joining a partnership and what governance arrangements are to be put in place;

However, there is no formal guidance for officers on the day to day management of a partnership. A draft Partnership Working guidance document, including governance, is being produced but is not yet completed and the need for its introduction has been reflected in the Governance Issues at section 4 of this document.

3. Review of Effectiveness

South Hams 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 Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance including the system of internal control is summarised in the following table:

Responsibility	Responsible Party
<ul style="list-style-type: none"> • Oversee the effective management of risk by officers of the Council. • Maintain a system of internal control. • Review system of internal control annually. • Evaluate assurance and conclude as to the independence and objectivity of the various sources of assurance before coming to an overall conclusion. This can be delegated to an appropriate member body to recommend approval, although approval remains with the Council. • Approve the Annual Governance Statement. 	<p style="text-align: center;">‘The Relevant Body’ - South Hams District Council</p>
<ul style="list-style-type: none"> • Propose the budget and policy framework to the Council, including the Code of Corporate Governance, Risk Management Strategy etc. 	<p style="text-align: center;">The Executive</p>
<ul style="list-style-type: none"> • Monitor the effective development and operation of risk management and corporate governance in the Council. • Consider the Council’s arrangements for corporate governance and to ensure compliance with best practice. • Consider internal audit’s annual report and opinion, and summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements; • Oversee the production of the Council’s Annual Governance Statement and recommend its adoption to the Council. 	<p style="text-align: center;">Audit Committee (Delegated Member Body)</p>
<ul style="list-style-type: none"> • Promote and maintain effective processes for governance issues, including the receipt of an annual review of the Council’s Code of Corporate Governance and approval of any action plan arising from the review. 	<p style="text-align: center;">Standards Committee</p>

Responsibility (Continued)	Responsible Party
<ul style="list-style-type: none"> • Establish principal obligations and objectives, identify risks to these obligations and objectives and key controls to mitigate these risks. • Provide assurance through routine monitoring of internal controls as an integral part of the risk management process. • Regularly report on the operation of internal controls to elected members through the appropriate corporate management team. 	Directors and Managers
<ul style="list-style-type: none"> • These statutory functions provide a key source of assurance that systems and procedures of internal control are in operation and effective. • With the Internal Audit Manager complete a compliance review of the Code of Corporate Governance and System of Internal Control and produce the Annual Governance Statement. 	S151 and Monitoring Officers
<ul style="list-style-type: none"> • With the S151 and Monitoring Officers complete a compliance review of the Code of Corporate Governance and System of Internal Control. • Review the effectiveness of internal audit annually and report results to the Audit Committee. • Subject to complying with the Code of Practice for Internal Audit in Local Government, provide independent and objective assurance across the whole range of the Council's activities. • The annual internal audit report to the Council (Audit Committee) to include an opinion on the overall adequacy and effectiveness of the internal control environment, providing details of any weaknesses that qualify this opinion and issues relevant to the preparation of the Annual Governance Statement. 	Internal Audit Manager
<ul style="list-style-type: none"> • Provide explicit assurance on the control environment and governance arrangements in relation to their area of responsibilities. 	Risk Management Group External Auditor Other Review Agencies/Inspectorates
<ul style="list-style-type: none"> • Review the AGS at an early stage. 	Head of Finance
<ul style="list-style-type: none"> • Following the recommendation by the Delegated Member Body to approve, sign the Annual Governance Statement. 	Leader and Chief Executive (as most senior member and officer)
<ul style="list-style-type: none"> • Publish the Annual Governance Statement with the Council's financial statements. 	Strategic Director (Resources)

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4. Governance and Control Issues Identified

Overall the Council's governance arrangements are satisfactory.

However, the following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or deal with governance issues:

From the System of Internal Control:

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>The Council has embarked on a programme of shared services with Teignbridge District and West Devon Borough Councils.</p> <p>It is expected to generate financial savings and other benefits which if not delivered could threaten the availability of future resources and therefore service provision.</p>	<p>A controlled programme has been developed, with the establishment of a Joint Steering Group comprising of members of each Council, supported by officers, which monitors the implementation and delivery of services through these arrangements.</p> <p>The framework for delivering the programme includes the preparation of detailed business cases for each service area involved. The business case will identify not only the benefits (including financial) but also the investment costs and risks associated with the shared concept.</p>	<p>Shared Services – Joint Steering Group 2008/09 and beyond</p>
<p><i>Sherford New Community</i></p> <p>Risk of challenge has abated with the decision to grant outline planning permission.</p> <p>However the Council's view of the requirement for a Section 106 agreement currently differs to the applicant.</p> <p>The applicants have recently submitted a duplicate application, thought to be likely to run in tandem and with the potential for appeal.</p> <p>Any appeal is likely to involve significant costs to defend the Council's position due to the complex nature of the scheme.</p>	<p>Section 106 negotiations to continue with a view to attaining a result which conforms with the Council's objectives for Sherford as set out in the adopted Area Action Plan.</p> <p>The also a disclosure in the 2007/08 Statement of Accounts as a Contingent Liability.</p>	<p>Strategic Director (Community) 2008/09</p>
<p>The Local Development Framework (LDF) system is proving to be slow to deliver against government objectives. In 2006 the South Hams LDF Core Strategy was the first to be adopted in England, and 2007 the Council adopted the Sherford Area Action Plan.</p> <p>However, production and adoption of plans for towns and villages are proceeding more slowly than envisaged.</p>	<p>The LDF programme is being reviewed to give greater priority to documents which will focus on site allocations only.</p> <p>The programme must be approved internally by the Executive and externally by Government Office South West and the Planning Inspectorate.</p> <p>A report is scheduled for the Executive meeting of 10th July 2008.</p>	<p>Strategic Management Team Head of Community Regeneration July 2008</p>

From the System of Internal Control (Continued):

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Delivery against the Council's top corporate priority CP1 (affordable homes) may fail to meet the demand: There is a very limited supply of new housing development sites, pending production and adoption of site allocations through the LDF.</p>	<p>The Council has set challenging affordable housing policies include the highest target in England (50%) and the lowest possible threshold (every new dwelling, down to and including a single unit, is required to make a contribution).</p> <p>An independent examination of these policies is scheduled for June 2008, with adoption expected by no later than January 2009.</p> <p>Part of the accelerated LDF programme referred to above, with a focus on delivery of development sites.</p>	<p>Strategic Management Team Head of Community Regeneration January 2009</p> <p>As LDF above.</p>
<p>Delivery against the Council's corporate priority CP2 (good jobs): may fail to meet the demand: There have been several 'disinvestments in the district, including significant high profile examples. The Council engages proactively to seek to limit the adverse consequence of such decisions. There is a very limited supply of new employment development sites, pending production and adoption of site allocations through the LDF.</p>	<p>The Council is working with others to variously promote, incentivise and support the local economy, in line with the Prosperity Strategy Action Plan. External funding streams will be monitored and accessed.</p> <p>Part of the accelerated LDF programme referred to above, with a focus on delivery of development sites.</p>	<p>Strategic Management Team Head of Community Regeneration 2008/09 and beyond</p> <p>As LDF above.</p>
<p>The Council is at risk if the services of some key officers were lost to it. There has been difficulty recruiting and retaining staff with the right knowledge and skills in certain critical areas e.g. Finance, Forward Planning, Housing.</p>	<p>Clarifying and improving the interviewing and selection techniques, performance management and communications has commenced.</p> <p>The Council is also working increasingly closely with its neighbouring authorities in order to improve the efficiency of service delivery and share skills and experience. Under continuing pressure to find efficiency savings, the Council is exploring the opportunity to share posts with neighbouring authorities resulting in a number of officers being shared.</p>	<p>Strategic Management Team Head of Human Resources 2008/09</p>

From the System of Internal Control (Continued):

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>The Council is undergoing a Single Status review, following a legally binding agreement between the Management and Trade Unions of the National Joint Council.</p> <p>It is essentially about the harmonisation of the terms and conditions on which different Council staff are employed, to ensure that they are both fair and non-discriminatory.</p> <p>If the Single Status project is not negotiated or consulted upon appropriately there is a risk of poor Employee Relations, which could result in unrest amongst the workforce and ultimately the Council's services to the public being affected.</p>	<p>The process includes job evaluation and a review of related policies and is ongoing.</p> <p>A project team is in place, staffed by management and the unions, working together to agreed processes.</p> <p>Legal advice is sought whenever it is appropriate to do so.</p>	<p>Strategic Management Team Head of Human Resources 31 March 2009</p>

From the compliance review of the Code of Corporate Governance - Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>There is no formal guidance for officers on the day to day management of a partnership including governance issues. A draft Partnership Working guidance document is being produced but is not yet completed.</p>	<p>Formal guidance for officers on the day to day management of a partnership, including governance issues, will be completed, approved and issued to the relevant officers</p>	<p>Strategic Director (Community) 31 March 2009</p>
<p>The Council's Consultation Strategy 2003-2006, which appears on the Council's web-site is out of date and therefore needs review.</p>	<p>The Council's Consultation Strategy 2003-2006 will be reviewed, updated as required, approved and put on the Council's web-site to replace the existing version.</p>	<p>Head of Improvement 30 September 2008</p>
<p>Although individual parts of the Constitution have been reviewed and updated, there has been no overall review for at least two years and it was noted that two Articles overlapped in the responsibility of the related member bodies.</p>	<p>An overall review of the Constitution will be carried out.</p>	<p>Monitoring Officer 30 September 2008</p>
<p>No Protocol on Councillor / Officer Relations appears in the Council's Constitution, although Codes of Conduct exist for both members and officers.</p>	<p>A Councillor / Officer Relations Protocol will be drafted and published.</p>	<p>Monitoring Officer 30 September 2008</p>

From the compliance review of the Code of Corporate Governance - Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
There is no formal mechanism for the reporting of partnership activity to either members or senior officers.	A Partnership Working Guidance will include the requirement for the appropriate reporting of partnership activity to members and/or senior officers, and a concise but effective reporting methodology developed.	Strategic Director (Community) 31 March 2009

From the compliance review of the Code of Corporate Governance - Principle 5: Developing the capacity and capability of members and officers to be effective.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
There is no forming development plan for members beyond the Induction Programme. A Member Development Strategy has been considered by the Member Support Services Manager but time restraints have prevented completion to date.	A Member Development Strategy will be introduced to address areas such as skills for scrutinising and challenging, how to recognise when outside advice is required, how to act as an ambassador for the community and leadership and influencing skills etc.	Head of Corporate Services 31 October 2008

From the compliance review of the Code of Corporate Governance - Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
Scrutiny and Policy Development Groups did not make an annual report to full Council on their workings and make recommendations for future work programmes during 2007/08. It is unclear if this happened previously, but is a requirement of Article 6 of the Constitution.	A Scrutiny and Policy Development Groups report will be taken annually to Council as required by Article 6 of the Constitution, starting in June 2008.	Head of Corporate Services June 2008

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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.

Signed and Dated:

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**Leading Member & Chief Executive on behalf of
 South Hams District Council**