



South Hams
District Council

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South Hams District Council Annual Governance Statement 2014 – 2015

1. Scope of Responsibility

South Hams District Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Hams District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

South Hams District Council and West Devon Borough Council have been shared services partners since 2007. As two of the very first Councils to share a Chief Executive in 2007, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation.

In June 2014 Council, Members agreed a Senior Leadership Team Structure across both South Hams and West Devon. This included adopting an Executive Director model to take both Councils forward into the future. The abolition of the traditional Chief Executive role is saving the equivalent of 1% per annum in Council Tax.

The Councils' joint Senior Leadership Team has reduced from 10 down to 6 posts, 2 Executive Directors and 4 Group Managers. Five of these posts were filled by external applicants. Recruitment to the new structure took place between September 2014 and January 2015 and the new Executive Directors and Group Managers took up their posts between January and May 2015. This has been a significant change for the Council.

www.southhams.gov.uk

Please be aware that telephone calls to and from the Council
may be recorded for training and monitoring purposes

The Council's Community of Practice Lead for Finance is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

The S.151 Officer, who acts as the Chief Financial Officer (CFO), will have responsibility for the administration of the financial affairs of the Council; will contribute to the corporate management of the Council, in particular through the provision of professional financial advice; will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles; and, will provide financial information to the media, Members of the public and the community. (Constitution Article 10)

The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules. The Council's S.151 Officer is a qualified accountant.

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government concluded that the recommended criteria have been met in most areas. There is one exception to the standard in that the Chief Finance Officer is not a member of the Council's Senior Leadership Team. However, she attends the Extended Leadership Team meetings attended by all Community of Practice Leads and reports regularly on financial matters to this group. Direct access to the Head of Paid Service is also available if required. Her influence and impact on financial management is not deemed to be compromised by this local arrangement.

2. The Purpose of the Governance Framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks 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 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 was in place at South Hams District Council for the year ended 31 March 2015 and is expected to continue up to the date of approval of the Accounts by the Audit Committee.

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles (key elements) of corporate governance that underpin the effective governance of all local authorities. South Hams District Council has used these

principles when assessing the adequacy of its governance arrangements. The main items that contribute to these key elements are listed below:

Core principle/key element 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- The Council's policies, aims and objectives are well established and monitored at various levels, for example forward plans, annual service planning process and personal development reviews
- The Council's adopted Priorities are confirmed in Article 6 of the Constitution and are published on the Council's website
- The Strategic direction is communicated to the citizens and service users through the Council's web-site; a magazine 'South Hams Living' which also contains contributions from Devon County Council and the National Health Service and is available via Twitter and Facebook;
- On 11 December 2014 the Executive considered the 'Our Plan' strategic plan, setting out a vision, long term priorities and planning policies that are in line with the National Planning Policy Framework. The link is below:

<http://www.southhams.gov.uk/article/8300/Thursday-11-December-2014>

Through 'Our Plan' we are striving to achieve communities that have access to housing, employment, services and facilities that meet their needs, communities that are resilient, safe and able to make choices about their future. Our communities are places where businesses can develop and grow. We want to ensure the plan makes a positive contribution to the equality, fairness and spiritual wellbeing of our communities.

The Our Plan Objectives are:-

Our Wellbeing
Our Communities
Our Homes
Our Economy
Our Infrastructure
Our Environment
Our Heritage
Our Resources

- The Councils 'Purpose', priorities and objectives appear on the front page of the intranet for all staff and as the main screen;
- All staff briefings undertaken by SLT to articulate the vision and new ways of working;
- The Council's corporate strategy (T18) is being implemented supported by a detailed project plan that has been made widely available;
- Regular consultation is undertaken on a range of issues;
- The Council's budget book shows financial plans at a detailed level for the financial year;

- Effective budgetary monitoring takes place regularly by SLT;
- Cashable and non-cashable savings identified in the T18 programme are on target;
- Performance management and reporting is embedded including quarterly reporting to the Corporate Performance and Resources Scrutiny Panel;
- Scrutiny teams have delivered tangible outcomes.

Core principle/key element 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- There is a single organisation approach between Members and Officers
- The Council's Constitution clearly states the roles and responsibilities of Members and Senior Officers
- Terms of reference for Committees and Member responsibilities are clearly defined
- Clear delegations and accountabilities are laid down in the Constitution
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Appropriate segregation of duties and management supervision
- The role of the Chief Finance Officer (s151 Officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control
- The role of the Monitoring Officer (MO), as documented in the Constitution, has responsibility for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.
- There is an annual process to review and agree the Pay Policy Statement in accordance with the Localism Act Section 38.

Core principle/key element 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's T18 programme clearly identifies its priorities, goals and promises statement which exemplifies its vision and values
- Performance measures are linked to drivers, goals and the service/Council priorities and these have continued through 2014/15.
- The Council uses a suite of performance indicators that includes measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Leadership Team (SLT) and Members (Corporate Performance and Resources Scrutiny Panel) is in place.
- The Council publishes a **Medium Term Financial Strategy** (MTFS) each year, which covers a four year period. That for the period 2014/15–2017/18 was approved by the Executive in July 2013 and has regard to the Priorities, business planning – pressures and savings

- Staff assessed against a set of key behaviours to establish the right values and culture
- The Council's whistle-blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council's Intranet (including Frequently Asked Questions) and is also publicised internally on an occasional basis to maintain its profile.
- The Council's Constitution also defines the roles of Members and officers. Part 5 of the Constitution includes a Protocol on Councillor / Officer Relations, which is planned to be reviewed in 2015/2016. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted Members of Council bodies in their dealings with officers where appropriate.
- There are codes of conduct in place for Members and Officers
- The Corporate Performance and Resources Scrutiny Panel is responsible for overseeing the Members' Code of Conduct and good governance by Members, and its terms of reference are set out in the Constitution
- There is an effective Audit Committee in place with clear terms of reference.

Core principle/key element 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

In 2014/15, the Council had three Overview and Scrutiny Panels:

Community Life and Housing; Corporate Performance and Resources; and
Economy and Environment.

- Members on the Panels receive training on effective scrutiny practices
- Decisions taken are formally minuted
- Committee Members are aligned to service areas and regularly communicate with and provide strategic direction to the relevant SLT lead
- The formal management of risk is in place and subject to monitoring by the Senior Leadership Team and reporting to the Audit Committee. The risk management process includes an approved Policy (April 2012), a Risk Management Group, risk registers, systems for identifying emerging risks, consideration of risk and opportunities in reports to Members and project management. A review of this approach by Internal Audit has identified areas for continuous improvement as a result of the changes under the T18 programme. This has been addressed by the SLT through the Statutory Officers Group in the next financial year.
- A separate risk register is maintained for the T18 Transformation Programme.
- Active health and safety arrangements, including a robust policy, reviewed and approved by members, regular consideration of issues at SLT. A Joint Health and Safety Group is in the process of being set up.
- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:

- monthly review of budgetary control information by budget officers and SLT, to compare expected and actual performance
- quarterly budget monitoring reports to the Executive
- formal quarterly budgetary monitoring reports reviewed as part of the T18 programme by the Corporate Performance and Resources Scrutiny Panel
- Active performance management arrangements
- A robust complaints/ compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and community plan themes, and address as appropriate any financial, staffing, risk, legal and property implications.

Core principle/key element 5: developing the capacity and capability of members and officers to be effective

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy s151 and Monitoring Officer in place
- Officer training programmes are considered at each Personal Development Review

Core principle/key element 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Community Strategy Our Plan was considered by Members in December 2014.
- There is regular community engagement and participation both in general and for specific community groups and services provided, for example, Parish Councils
- Committee and Council meetings are open to the public, with papers available in advance on the internet (save where 'exempt' under the Local Government Act 1972 following formal evaluation of the public interest)

1. Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This responsibility is in practice carried out by Senior Managers, with the Executive Director informing the Executive of any significant matters warranting their attention.

The Council ensures the delivery of services in accordance with Council policies and budgets, which includes long term financial planning, good financial management and ensuring up to date risk management across the Council.

In 2014/15, the Council had three Overview and Scrutiny Panels:

- Community Life and Housing;
- Corporate Performance and Resources; and
- Economy and Environment

Overview and Scrutiny is responsible for performing a review function which in 2014/15 included specific work on;

- The Code of Conduct and General Dispensations;
- Gypsies and Travellers Site Provision;
- Affordable Housing Delivery Models;
- Empty Homes Strategy;
- Disabled Facilities Grants;
- Waste Policy;
- Managing Coastal Assets;
- Rural Broadband;
- Fees and Charges;

The Overview and Scrutiny Panels continued to review and scrutinise the Council's performance monitoring reports via T18 programme against the Council's corporate strategy and quarterly performance indicator reports.

In addition, the Panels also considered agenda items related to the attendance of representatives from the following external agencies/partners:

- South West Water;
- The Community Safety Partnership;

- The Citizens' Advice Bureau;
- Tone Leisure;
- Devon Carers;
- Devon and Cornwall Housing; and

Devon Clinical Commissioning Group.

The Audit Committee has a specific role in relation to the Council's financial affairs including the internal and external audit functions and monitors the internal workings of the Council (broadly defined as 'governance'). It is responsible for making sure that the Council operates in accordance with the law and laid down procedures and is accountable to the community for the spending of public money. The Audit Committee reviewed all aspects of the Council's strategic performance and resource management arrangements, including budgeting, accounting and treasury management.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectors.

Internal Audit

South Ham's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011. This responsibility is delegated to the Community of Practice Finance lead and S151 Officer.

The Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Senior Leadership Team who agree any recommendations. Members receive an annual report of internal audit activity and approve the annual audit plan for the forthcoming year.

The Internal Audit annual report for 2014/15 was considered by the Audit Committee on 25 June 2015 and Members endorsed the adequacy and effectiveness of the system of internal audit for the year end 31 March 2015. That endorsement forms part of the Annual Governance Statement for 2014/15 along with the Chief Auditors assurance opinion that "overall and based on work performed during 2014/15, and that of our experience from previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework".

Senior Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control

environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Directors.

External auditors and other review agencies/inspectionates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

The annual audit letter contained one medium priority recommendation around segregation of duties within payroll. This has been addressed by the new structure adopted by the Transformation Programme and this service is now performed within Service Processing.

Significant Governance Issues

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

Issues and action plan from the Compliance Review of the Code of Corporate Governance

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:

| Issue Identified | Action to be Taken | Responsible Officer & Target Date |
|--|--|--|
| T18 Transformation Programme South Hams District Council and West Devon Borough Council have undertaken innovative plans to transform the way the Councils carry out their work. The new operating model ensures the way the Councils deliver their services to residents and | The Head of Paid Service, S.151 Officer, Monitoring Officer and Internal Audit Manager will monitor the governance of the T18 Transformation Programme and its impact on the Constitution including the related Procedure Rules. | Head of Paid Service S.151 Officer Monitoring Officer Internal Audit Manager Timescale in line with the Programme. |

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| <p>communities remains at the very heart of everything the Councils do. Internally this is known as the T18 Transformation Programme.</p> <p>The changes have cast aside the traditional ways of local government, and long-established Council departments will be replaced by customer-focussed teams of officers who will work out of the office and more within the community.</p> <p>The Councils have invested in the latest technology to enable residents and businesses to conduct their business online 24 hours a day, seven days a week. Those who prefer will still be able to contact the councils in the conventional way, such as by phone or through visiting the council's offices.</p> <p>The Councils' workforce will be smaller, reducing the need for office accommodation, and all staff roles will change.</p> <p>Grant Thornton assessed the outline business plan for the T18 Transformation Programme to determine its fitness for purpose. Their report dated October 2013 provided conclusions for 'meeting the financial challenges', use of reserves, staff costs including ratios, and governance.</p> <p>In addition, two senior officers of independent Councils, with Grant Thornton, were asked to provide an objective opinion to Members on whether or not T18 should deliver the estimated savings and to comment on the risk management aspects of the project risk.</p> <p>The above reports were formally presented to the Audit Committee in December 2013, after having been circulated to all Members. An action plan for the relevant findings from the assurance reports and how the Council will address them was also included.</p> <p>A separate T18 Risk Register is maintained by the S151 Officer and describes the risks, their impact and likelihood, and the mitigating actions being taken.</p> | <p>South Hams District Council and West Devon Borough Council were recognised on a national stage in March 2015, receiving the Gold Award for 'Delivering through Efficiency' and the Silver Award for 'Council of the Year' at the Improvement and Efficiency Social Enterprise Awards (iESE). The awards celebrate Councils who are developing new ways of working and transforming public service delivery to improve services and reduce costs.</p> <p>Quarterly monitoring reports on the Transformation Programme are presented to the Council's Corporate Performance and Resources Scrutiny Panel.</p> <p>The T18 risk register is reviewed quarterly as a minimum by the Senior Leadership Team (SLT) and Programme Board, and is presented to the Audit Committee every six months. This will continue for the duration of the programme.</p> | <p>Senior Leadership Team Programme Board Audit Committee Duration of the programme.</p> |
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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>Collaboration Agreement</p> <p>Last year it was reported that the Monitoring Officer was in the process of reviewing an Overarching Agreement between the two Councils, which will also include responsibilities relating to contract liabilities e.g. costs incurred in relation to disputes by one of the two Councils only under a shared contract.</p> <p>A 'Collaboration Agreement' was approved by both South Hams District Council and West Devon Borough Council and was formally signed on 11th March 2015.</p> | <p>The Collaboration Agreement between both South Hams District Council and West Devon Borough Council was formally signed on 11th March 2015.</p> | <p>Monitoring Officer - Already implemented</p> |
| <p>Onward Delegation</p> <p>The Monitoring Officer was putting in place Onward Delegation documents, setting out those areas delegated by the Heads of Service/Group Managers to the relevant Community of Practice Leads.</p> | <p>The Monitoring Officer has put in place a revised Scheme of Delegation in early 2015 which has addressed this issue and reflects the new staffing structure under T18.</p> | <p>Monitoring Officer – Already implemented</p> |

Issues and action plan from the System of Internal Control:

The system of internal control is described in section 2 above.

| Issue Identified | Action to be Taken | Responsible Officer & Target Date |
|--|---|--|
| <p>Financial Uncertainty</p> <p>As Local Authorities experience reductions in funding, although South Hams District Council currently has a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of the further government funding reductions and Council Tax freeze initiatives that are expected.</p> <p>A Medium Term Financial Strategy (MTFS) was presented to the Executive in September 2014 setting out the current position and was regularly updated throughout the 2015-16 Budget Setting process. The next MTFS is due to be presented to Members in September 2015.</p> | <p>The Council has commenced several initiatives that aim to help us to reduce our costs and meet the enormous challenge of a significant funding gap. These include:</p> <ul style="list-style-type: none"> • T18 Transformation Programme. The programme will deliver new and very different ways of working (see above); • Strategic Asset Review; and • Income generation initiatives including setting up a trading company (the company was incorporated on 4th September 2014) | <p>Senior Management Team/Senior Leadership Team from 2015</p> <p>On-Going</p> |
| <p>Business Rate Retention</p> <p>The way that Councils receive income from Business Rates changed from 1</p> | | |

| <p>April 2013. Business Rates retention was introduced to enable authorities to be able to retain a share of any growth that is generated in Business Rates revenue in their areas.</p> <p>The business rate retention scheme allows authorities to voluntarily form a business rates retention pool. The membership of the Devon pool consists of the eight District Councils in Devon and Devon County Council, Torbay Unitary and Plymouth Unitary, with Plymouth acting as the Lead Authority for the pool.</p> <p>There is no entitlement to safety net funding should a high degree of negative growth be experienced by the pool.</p> <p>As a result there are risks to the Business Rates Pool membership if there is a significant valuation change to a large liability business property in the District.</p> <p>The Valuation Office has provided a list of outstanding appeals for the Council, and these have been taken account of when completing the government return NDR1 for 2015/16 (section relating to back dated appeals).</p> <p>The Governance arrangements within the Pooling agreement state that the Governing Board will meet by no later than 30 September to consider the continuation or dissolution of the pool.</p> <p>The meeting of the Board is undertaken as part of the agenda of the Devon Local Government Steering Group meeting, with two of the meetings each year including pool business.</p> <p>Pool members should give notice no later than 30 September to pooling partners of their intention to leave the pool.</p> | <ul style="list-style-type: none"> For 2015-16 the Devon Business Rates Pool has been re-constituted with all of the current pooling partners (all Devon Councils) excluding South Hams. South Hams District Council has withdrawn from the Pool due to the risk of business rates appeals. | <p>Already actioned.</p> |
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| Issue Identified | Action to be Taken | Responsible Officer & Target Date |
| <p>Land Charges</p> <p>In common with 370 other English district and unitary councils, SHDC are subject of a claim by a group of companies whose business is the making of personal searches of our local land charges records. Multiple</p> | <p>The Local Government Association has instructed external solicitors to deal with the matter on behalf of the member Local Authorities. The Council has agreed a</p> | <p>Monitoring Officer S151 Officer</p> <p>Report to Members approved on 21 May</p> |

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| <p>Claims have been submitted. The authorities contend that charges were imposed in accordance with Regulations made by the Government and if those Regulations were unlawfully made, the Government should compensate.</p> | <p>framework for settlement and legal advice received to conclude the claim. The matter was considered at a Full Council meeting on 21 May 2015 and a basis for settlement has been approved.</p> <p>The Government are considering further compensating Councils in 2015/16 for costs incurred.</p> | <p>2015.</p> |
| <p>Internal and External Audit Reports</p> <p>Some issues have been identified in audit reports by the Council's external auditor, Grant Thornton, and the shared in-house internal audit team. Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed.</p> | <p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p> | <p>Group Managers S.151 Officer Internal Audit Manager In line with agreed timescales</p> |

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:

**Cllr R Tucker
Leading Member,
on behalf of South Hams District Council**

Signed:

**Steve Jorden
Executive Director (Strategy and Commissioning) and Head of
Paid Service, on behalf of South Hams District Council**

24th September 2015