

**SOUTH DERBYSHIRE DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2008/09**

**A Scope of Responsibility**

South Derbyshire 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. South Derbyshire District 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 Derbyshire District 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 Derbyshire District Council has formulated a 'Local 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 at [www.south-derbys.gov.uk](http://www.south-derbys.gov.uk) or can be obtained from the Head of Legal & Democratic Services, Civic Offices, Civic Way, Swadlincote, Derbyshire, DE11 0AH.

This Annual Governance Statement explains how South Derbyshire District Council has complied with the Local Code of Corporate Governance 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.

**B The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values, by which South Derbyshire District Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables South Derbyshire District Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective and efficient 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 Derbyshire District Council's policies, aims and strategic 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 Derbyshire District Council for the year ended 31st March 2009 up to the date of approval of the Annual Report and Statement of Accounts.

## **C The Governance Framework**

The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are as follows:

### **Decision Making**

The Council operates under a Constitution. This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the Council's services.

### **Policy Making**

This is facilitated through 3 policy committees which are responsible for the main service areas of the Council and are:

- Environmental and Development Services
- Housing and Community Services
- Finance and Management

Each Committee is governed by its Terms of Reference, as laid down in the Constitution. Meetings of these committees are open to the public, except where issues of an exempt nature are being disclosed.

The Overview and Scrutiny Committee have 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review and it carries out external reviews on issues that affect South Derbyshire.

Six Area Forums and a Parish Liaison Meeting are well established and these meet throughout the year. They are designed to improve community involvement in decision-making and provide a continuous link with local residents, parish councils, the voluntary sector and other public bodies.

### **Governance and Accountability**

The Council has designated the Head of Legal and Democratic Services as its Monitoring Officer. It is the function of this officer to ensure compliance with established policies, procedures, laws and regulations.

After consulting with the Head of the Council's paid service (the Chief Executive) and Chief Finance Officer (Director of Corporate Services), the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

In addition, the Council operates 2 regulatory committees focusing on Development Control (planning applications and enforcement) and a Licensing and Appeals Committee. Furthermore, a Standards Committee which is chaired by an independent member oversees the conduct of elected councillors.

The Standards Committee assists in setting and promoting the ethics agenda for the Council and monitors training in relevant areas.

Accountability for the use of public funds and service provision is largely undertaken through the annual publication of a Statement of Accounts, the Annual Report and Corporate Plan.

### **Code of Corporate Governance**

The Code was updated during 2008 to reflect the new Governance Framework developed by CIPFA/SOLACE and subject to regular six monthly reviews by a Senior Officer Group reporting to Audit Sub-Committee and the Standards Committee, with an annual report to Full Council.

### **Standards of Financial Conduct**

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Director of Corporate Services in accordance with Section 151 of the Local Government Act 1972.

This officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.

In addition, under the Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Fraud and Corruption Strategy.

The financial management system includes:

- A medium term Financial Plan linked to Service Plans
- An annual budget cycle incorporating Council approval for revenue and capital budgets, as well as treasury management strategies
- Financial Procedure Rules that are reviewed as required
- Process and procedure guidance manuals
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice and Financial Reporting Standards

- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks regularly challenged, both internally and externally

### **Standards of Overall Conduct**

Elected councillors and employees of the Council operate under codes of conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties.

The codes take into account the requirements of the law and the provisions of official conduct in the appropriate national conditions of service (for employees).

From May 2008, the responsibility for considering written complaints against elected or co-opted Members of both the District Council and the Parishes of South Derbyshire moved from the Standards Board for England to South Derbyshire District Council's Standards Committee.

The Standards Board for England provides advice and guidance to Council's Standards Committee on the Member Code of Conduct.

### **Establishing Council Objectives**

These are set out in our Corporate Plan. This is effectively the Council's business/forward plan, set for five years and refreshed on an annual basis. This plan sets out the Council's vision for South Derbyshire, its values and the priorities for delivering local services for the Community.

The South Derbyshire District's Community Strategy is produced by the Local Strategic Partnership. This sets out the district wide priorities across a range of public service providers that include the District Council, County Council, Police, PCT and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community, business and service providers.

### **Complaints**

The Council has a corporate Complaints Policy and Procedure. This is used to help identify service improvements from complaints, comments and compliments received. Information is collated centrally and reported half yearly to Finance and Management Committee, where performance is challenged and areas for improvement identified.

Arrangements are also in place for dealing with and monitoring Ombudsman complaints and reporting annually to Full Council.

## Service Delivery

The Council was assessed in 2004 under the national Comprehensive Performance framework as a “fair” authority (on a scale ranging from poor, weak, fair and good to excellent). We are now moving to the Comprehensive Area Assessment (CAA) which is a new approach and will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It will assess and report how well public money is spent and will ensure that local public bodies are accountable for their quality and impact.

The CAA will be based on two assessments

### Organisational Assessment

#### 1. Managing performance

This will assess how well the Council is delivering services, outcomes and sustainable improvements in its priorities that are important locally including whether it has the leadership, capacity and capability it needs to deliver future improvements. This is a joint inspectorate judgement and how well this is managed across the Council and this replaces the Direction of Travel assessment.

#### 2. Use of Resources

We are assessed by our external auditors External Auditor, Grant Thornton, on an annual basis, on how we use our resources. External Auditor, Grant Thornton Auditors, will produce a judgement for each of the following three themes:

- **Managing finances** - focusing on sound and strategic financial management;
- **Governing the business** - focusing on strategic commissioning and good governance; and
- **Managing resources** - focusing on the effective management of natural resources, assets and people.

We are improving our information by creating our own evidence base based on consultation and research that highlights the key issues that we need to tackle. We need to look increasingly at outcomes for our residents and delivering quality services that they want. The importance of data quality will also focus on making sure that our arrangements for collecting information are robust and that we can trust the evidence and management information we collect for the district. We are also placing an increasing importance on self-awareness; we need to know ourselves what we are good at and how we can work with our partners to deliver improved outcomes for residents across the district.

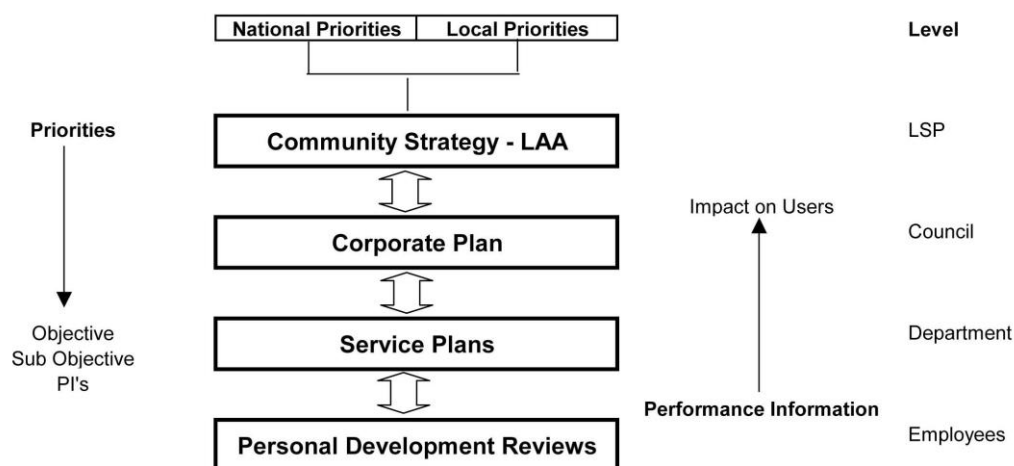
### Business Improvement

To support service delivery, the Council has a dedicated Business Improvement unit, including procurement. This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources.

## Managing Performance

Our performance framework is largely developed from national requirements in terms of the new National Indicators and the Comprehensive Area Assessment (CAA) and the local issues that are emerging from the Community Strategy. It also takes into account the Derbyshire LAA 2008-2011 - Working Together for a Better Derbyshire and changes to the local arrangements for the collection and analysis of performance information. An outline of the new framework is shown in Figure 1.

Figure 1 – South Derbyshire District Council's performance framework



## Components

**Our Community Strategy** sets the long-term vision and community goals for all partners in South Derbyshire. This feeds into the countywide LAA published in June 2008.

The Council's **Corporate Plan** describes how we will provide services to support the Community Strategy and focus our resource on key priorities and actions for improvement. This is an integral part of the Council's Performance Management framework and the actions set out how we will deliver our key priorities together with measures of success.

**Service Plans** are the cornerstone of the performance framework and demonstrate how each section of the Council will deliver improvements in line with priorities detailed in the **Corporate Plan**.

**Personal Development Reviews** provide employees with a clear understanding of how their work is enabling the Council to deliver the priorities detailed in the **Corporate Plan**.

## Partnership Working

The Council works in partnership with many other public agencies and private organisations to deliver its services. The extent of these partnerships varies across the Authority.

The Council's most significant partnerships are the Local Strategic Partnership and the Safer South Derbyshire Partnership that operates under the Local Area Agreement for the County of Derbyshire.

These partnerships are properly constituted and Committees are established (comprising representatives of this Council) who monitor and review progress.

## **Risk Management**

The Council operates under a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. It is effectively the framework for the management of risk throughout the Council.

The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each service plan contains a risk register and this is developed and maintained by officers involved in planning and delivering services.

In addition, the Council's Corporate Plan and financial strategy identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment score.

A cross-departmental Risk Management Group has defined terms of reference to review and develop principles, challenge service risks, oversee significant business risks and to help embed risk management in the Council.

Half yearly consolidated monitoring reports are provided to the Finance and Management Committee.

## **Internal Audit**

Under the Account and Audit Regulations 2003 (as amended), the Council maintains an Internal Audit function, which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK.

This function provides an independent evaluation on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit undertakes annual work plans, agreed with and monitored by members and senior officers. It provides opinions on internal controls in place to manage risks across the Council's diverse activity. Its plans and outputs are monitored and challenged by Audit Sub-Committee.

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. They are required to issue an Assurance Statement (annual report) each year that provides an assessment of the Council's internal control system.



## **Health and Safety**

The Council has a Health and Safety Policy document that sets out the Council's commitment to health and safety and identifies positions with responsibilities under the policy. There is also a quarterly Employee Health and Safety Committee, chaired by the Director of Community Services, with representatives from the trade unions and managers, which monitors policies and work practices.

## **The Council's Audit Sub-Committee**

The purpose of the Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment.

It also provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Sub-Committee also oversee the Authority's corporate governance arrangements in relation to financial matters in conjunction with the Standards Committee.

## **External Scrutiny**

External Auditor, Grant Thornton UK, has been appointed as the Council's external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements.

This includes reviewing arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Officers of the Council meet regularly with the external auditors to discuss planned and ongoing external audit and inspection activity through the Annual Audit Plan (developed using risk-based criteria) and also the result of such activity and how improvements will be implemented across the Council.

The Commission undertake regular reviews each year and issue reports with action plans to aid improvement in specific areas. The annual Audit and Inspection Letter, that is reported to the Finance and Management Committee, summarises the conclusions and significant issues arising out of audit and other inspections undertaken.

The outcome of all inspections and audits are used to plan and improve Council services.



## **D Review of Effectiveness**

South Derbyshire 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 Corporate Management Team, who have responsibility for the development and maintenance of the governance environment, the Internal Audit reports on the audits conducted through the year, and also by comments made by the External Auditors and other review agencies and inspectorates.

The processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2008/09 are set out below.

### **Overall Corporate Governance**

The Council has adopted a local code of corporate governance based on recommended best practice, which reflects the governance framework developed by CIPFA/SOLACE. This sets out the systems by which the Council directs and controls its functions. This code is reviewed twice (on a half yearly basis) during the year.

### **The system of Internal Audit**

Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial and other management systems each year and all other activities over a four yearly cyclical period. This is based on a risk assessment of each area.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. The reporting process requires a report of each audit to be submitted to the relevant service manager.

The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by managers. The process includes reviews of recommendations to ensure that they are acted upon.

Under its terms of reference, the Audit Sub-Committee considers in detail any recommendations that are found to have a potentially "high-risk" impact on the Council's control environment. These are subject to on-going monitoring until all recommended actions have been implemented.

Internal Audit is subject to an annual assessment by the Council's external auditors. A more detailed review is undertaken once every three years and this was completed during 2006/07 and is next due in 2009/10.

This review concluded that overall they were satisfied (apart from some points addressed in an action plan approved by Audit Sub-Committee) that the Council has appropriate constitutional and management arrangements in place for its internal audit service.

As part of the annual assessment, Internal Audit's operational plan is reviewed, including their coverage of controls in important financial systems. External audit express an opinion on the adequacy of internal audit work and, where appropriate, rely on their work for assurance. [Page 9 of 14](#)

Furthermore, the Council is required to conduct an annual review of the effectiveness of its system of internal audit, as part of a three year review cycle. The review is required to ensure that the opinion in the annual report of the Audit Manager may be relied upon as a key source of evidence for this Statement.

Internal Audit has been subject to an independent external review by Price Waterhouse Coopers during 2008/09 and the Audit Sub-Committee concluded that during that period, the system of internal audit was effective. Internal Audit's annual Assurance Statement that sets out an assessment of the internal control system is attached at **Annexe A**.

## **Communication and Consultation**

### **Communication**

We have recently undertaken a review of corporate communications within South Derbyshire and have restructured this function into a centralised team in the Organisational Development Unit. Corporate communications covers the full range of media management, publications and external and internal communications. Through targeting our communications activities the Council can continue to enhance its reputation and profile at a local and national level. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and know they are getting value for money. We have reviewed and updated the Council's Corporate Communications Strategy and Action Plan.

### **Consultation**

The Corporate Plan is informed by consultation and is based on the views of all stakeholders including local people, voluntary and community groups and local businesses as well evidence collected on the district through our [Evidence Base](#).

The Consultation Strategy was first developed in July 2007 with the aim of improving the coordination of consultation activities between the services within the Council and with key partners and to ensure that citizens' views were used effectively to inform council decision-making. A key priority was establishing a corporate 'infrastructure' that was needed to support and facilitate effective consultation, along with providing support and advice to service areas to undertake effective consultation.

We have undertaken the new Place Survey with the first survey being carried out in 2008. We have also undertaken a comprehensive consultation exercise as part of the development of the Corporate Plan and Community Strategy.

### **The Constitution**

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. Changes to the Constitution have to be approved by Full Council and reflect any changes to the Council's structure and responsibilities.

In addition, the Overview and Scrutiny Committee has to the power to “call in” a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate. No decisions were called in during 2008/09.

The Overview and Scrutiny Committee scrutinises key policy issues, recommending and reporting back actions to the main policy committees. Their annual reports set out details of their work and outcomes during the year.

### **Propriety in the Conduct of Business**

For the 2008/09 reporting period, South Derbyshire District Council has not been the subject of a finding of maladministration by the Ombudsman.

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2008/09.

There were 7 major reportable accidents under Health & Safety Regulations during 2007/08. Following investigation of each accident, risk assessments were reviewed and updated as appropriate.

### **Monitoring Performance**

The Performance Management framework specifies the performance monitoring regime. A “traffic light” monitoring system is used to highlight areas at risk of being achieved/not achieved. During the year, policy committees received quarterly performance monitoring reports and agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial and risk monitoring reports.

During 2007/08, the Audit Commission undertook a review of the Council's Direction of Travel and concluded that we are “making good progress in relation to customer focus and in developing safer and healthier communities” and in relation to value for money, “access to services has improved and there is a greater emphasis on the rural areas and older people”.

### **Partnerships**

The partnerships that the Council is a principle partner of – the South Derbyshire Local Strategic Partnership (LSP) and the Safer South Derbyshire Partnership (SSDP) – have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives an End of Year Report on the performance of the LSP and from 2008, all important partnerships will produce an End of Year Report, which will be reported to Council. The reports identify the outcomes of partnership work and the financial implications of work undertaken.

### **Use of Resources**

External Auditor, Grant Thornton, also judged the Council's performance in how it uses its resources and manages its finances, including how well it achieves value for money. The Council achieved a 3 in all 5 categories assessed, scoring an overall 3 (out of 4). This shows that the Council is performing consistently well in this area.

## **Other Indicators**

Generally, liaison takes place on an on-going basis with Heads of Service, who help assess the adequacy of internal control and to help identify areas for improvement.

Finally, the Council's Annual Audit and Inspection Letter reports any significant weaknesses in the overall control framework, in arrangements to prevent and detect fraud and corruption, and in its framework for ensuring the legality of financial transactions.

## **E Significant Governance Issues**

The Council operates within a fast changing environment. Consequently, the system needs to be subject to constant review and there will always be room to strengthen and increase the effectiveness of internal control.

Indeed, issues identified in the corresponding statement for 2007/08 identified several areas to be developed. Many of these were acted upon during 2008/09, such as:

- introduced a locally based system for the assessment, referral, investigation and hearing of complaints of alleged Member misconduct
- reviewed the Officer Scheme of Delegation
- adopted a revised local Code of Corporate Governance in accordance with the CIPFA/SOLACE framework, which is reviewed six monthly
- reviewed and updated the Regulation of Investigatory Powers Act policy, procedure, guidance and training, in line with best practice
- reviewed and updated the Protocol for the Use of Information Technology by Members of South Derbyshire District Council, in line with changes introduced by Government Connect
- adopted Member role profiles and personal development plans
- approved a Monitoring Officer Protocol
- developed a robust Action Plan to take us to Level 3 of the Equality Standard that included undertaking Equality Impact Risk Assessments
- published an Annual Report
- reviewed the Corporate Communications function
- introduction of a new Performance Management system
- creation and adoption of a new Corporate Plan 2009/14

Whilst these will continue to be embedded in the day to day business of the Council, there are other areas that have been identified that are considered key in further strengthening the internal control environment.

Primarily, these have been highlighted from a review of the Local Code of Corporate Governance and through work undertaken by External Auditor, Grant Thornton, during the last year, including its Use of Resources Judgement.

In addition, some actions may relate to areas where an initial strategy, policy or plan is required to strengthen the control environment. Any specific or detailed actions emanating from these are monitored and reviewed as part of the Council's performance management framework.

The Local Code of Corporate Governance is held as an action area due to outstanding actions required from its half yearly review. This code is a key part of the Council's overall system of internal control.

Areas which have been identified as being essential in further strengthening the internal control environment are summarised below:-

<b>Issue and Actions</b>	<b>Timescale</b>	<b>Responsible Officer</b>
Continue to review the Local Code of Corporate Governance in accordance with updated guidance and to undertake any outstanding work during the year	½ yearly review	Head of Legal & Democratic Services
Implement actions from the Audit Commission's review of the Local Area Agreement (as they affect the Council) – in particular, on risk and financial management arrangements	by March 2010	Director of Corporate Services
Implement actions from the external review of internal audit to strengthen the effectiveness of this function	by March 2010	Head of Finance and Property Services
Ensure that performance is systematically measured and monitored relative to other Councils and that action is taken as appropriate – Implementation of new Performance Management system	by March 2010	Director of Corporate Services
Ensure that the Council recognises more clearly its duty to promote equality and opportunity – Implement our robust Action Plan to take us to Level 3 of the Equality Standard that includes Equality Impact Risk Assessments (note that a new framework is to be introduced from 1 <sup>st</sup> April 2009 and the Council will work towards a comparable level within this revised framework)	by March 2010	Director of Corporate Services
Members' training and development programme to be reviewed and Action Plan implemented	by March 2010	Director of Corporate Services/ Head of Legal & Democratic Services
Maintain and strengthen current partnership arrangements – Develop a Good Practice Protocol for partnership working	by March 2010	Director of Corporate Services

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.

This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

**Signed:** .....  
(Leader of the Council)

**Dated:** .....

**Signed:** .....  
(Chief Executive)

**Dated:** .....

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