

SOUTH DERBYSHIRE DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT

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 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 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 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 2008 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 and supports policy development and review.

Six Area Meetings 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, 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 etc is largely undertaken through the annual publication of a Statement of Accounts and Best Value Performance Plan.

Code of Corporate Governance

The Code will be updated during 2008 to reflect the new Governance Framework developed by CIPFA/SOLACE and will be subject to regular review.

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 yearly
- 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).

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

Establishing Corporate Objectives

These are set out in a Corporate Plan. This is effectively the Council's business/forward plan, set for 3 years and updated annually. This plan sets out the vision for South Derbyshire along with its priorities for delivering local services.

The District's Community Strategy also influences this plan. This aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by tackling those issues that are important to the local community and service providers.

It involves working through a local strategic partnership, with other agencies and service providers within the District.

Complaints

The Council has a corporate complaints policy and procedure, which is used as a tool 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.

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.

Service Delivery

The Council has an established service-planning framework, which sets out the key tasks and targets for all of the Council's services. 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).

Following on from this as part of testing service delivery, the Audit Commission on an annual basis, assesses how the Council "uses its resources" and by issuing a "direction of travel statement." In addition, the Commission also undertake detailed inspections of specific areas from time to time.

Areas for improvement are identified and action plans stemming from these assessments and reviews, help to ensure that the Council is constantly seeking ways of ensuring economical, effective and efficient use of its resources and for securing continuous improvements in service delivery.

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

The Council's performance management framework is called "Achieving More" and our Corporate Plan sets out the strategic priorities for providing and improving local services. Targets and milestones are cascaded down into departmental service plans and then into personal development plans for individual employees.

The Council's policy committees monitor progress against targets and performance as part of the performance management framework.

Suitably trained and experienced staff delivers all services. Within individual service plans, managers identify actions to address any risks or changes to the service that have an impact on employees (where appropriate).

This is used to develop a corporate approach to learning and development alongside events undertaken within each service area.

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 divisional 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

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 Full Council, 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 within South Derbyshire District Council, 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 2007/08 are set out below.

Overall Corporate Governance

The Council has adopted a local code of corporate governance based on recommended best practice. This sets out the systems by which the Council directs and controls its functions. This code will be reviewed and updated (to reflect the new governance framework developed by CIPFA/SOLACE) 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.

This review concluded that overall they were satisfied (apart from some points addressed in an action plan) 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.

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. A light touch review was undertaken by the Director of Corporate Services and considered by Audit Sub-Committee. 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.

The Audit Sub-Committee concluded that during 2007/08, the system of internal audit was effective. Internal Audit will be subject to an independent external review during 2008/09. Internal Audit's annual Assurance Statement that sets out an assessment of the internal control system is attached at **Annexe A**.

Communication and Consultation

During 2006/07, the Council undertook a comprehensive consultation exercise on its new corporate plan through an "ideas into action" campaign. This involved extensive consultation with local residents and other stakeholders to determine actions required to help deliver the Council's main priorities.

The Council's budgetary plans until 2012/13 are based on this consultation.

During 2006/07, the Council also identified resources for a dedicated corporate consultation officer. Consequently, a corporate communications and corporate consultation strategy has been approved which will improve our engagement with all residents and stakeholders across the Council's area.

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 2007/08.

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

During 2007/08, the Council reviewed and updated its whistle blowing policy and publicised this across the organisation.

For the 2007/08 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 2007/08.

There were 8 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 “Achieving More” 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

Internal Audit undertook work on behalf of the accountable body, the Derbyshire County Council, of all Local Area Agreement grant payments used to meet eligible expenditure within South Derbyshire. This covered schemes in the safer and sustainable communities areas undertaken by the partnership and included initiatives for both crime and disorder and waste management. All accorded with the eligibility requirements and no material issues arose. In addition, the Safer South Derbyshire Partnership and the Climate Challenge fund governance arrangements were reviewed and found to be satisfactory.

Use of Council Resources

The Audit Commission 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 improved in 2 of the 5 categories assessed, compared to the previous year, and scored an overall 3 (out of 4). This shows that the Council is now 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 2006/07 identified several areas to be developed. Many of these were acted upon during 2007/08, such as:

- adopted a new Code of Conduct for Members and provided training for Members and Parish Councillors on this Code
- adopted a Corporate Consultation Strategy
- adopted a Corporate Communications Strategy
- adopted a Good Practice Protocol to maintain and strengthen current partnership arrangements
- reviewed Performance Management arrangements
- reviewed and updated the Whistle Blowing Policy
- implemented a Data Quality Strategy
- recruited a further two Independent Members to its Standards Committee (making five in total, including the Chairman and Vice-Chairman).

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 the Audit Commission 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:-

Issue and Actions	Timescale	Responsible Officer
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 2009	Director of Corporate 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 2009	Director of Corporate Services
Ensure that the Council recognises more clearly its duty to promote equality and opportunity – Develop a robust Action Plan to take us to Level 3 of the Equality Standard that includes the commencement of Equality Impact Risk Assessments	by March 2009	Director of Corporate Services
Publish Annual Report	by July 2008	Director of Corporate Services
Corporate Communications Review – Associated Action Plan to be implemented	by March 2009	Director of Corporate Services
Members' training and development programme to be created and Action Plan implemented	by March 2009	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 2009	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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