



South Hams  
District Council

# Draft Annual Governance Statement

2023-2024

15<sup>th</sup> July 2024

# 1. Scope of Responsibility

## Introduction

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.

## Governance Responsibilities

The role of the **Chief Executive** is to implement the plans and policies that support the strategic direction of the Council as set by Members. The Chief Executive leads the Senior Leadership Team consisting of the Directors of Strategic Finance, Customer Service and Delivery, Strategy & Governance and Place & Enterprise, who are in turn supported by Assistant Directors and Heads of Service.

The Council's **Director of Strategic Finance** is a qualified accountant 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' or 'Chief Financial Officer'

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 has concluded that the recommended criteria have been met in all areas.**



# 2. The Governance Framework

## The Council's Governance Arrangements

**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.

## Governance Responsibilities

The governance framework was in place at South Hams District Council for the year ended 31 March 2024 and is expected to continue up to the date of approval of the Accounts by the Audit and Governance Committee.

This Statement explains how South Hams District Council has met the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and set out in the Society of Local Authority Chief Executive's (SOLACE) Framework, Delivering Good Governance in Local Government: Guidance Notes for English Authorities (2016).

Included within this framework are seven core principles of governance as set out to the right.

**Principle A: Behaving with Integrity, demonstrating a strong commitment to ethical values and respecting the rule of law**

**Principle B: Ensuring openness and comprehensive stakeholder engagement**

**Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

**Principle D: Determining the intervention necessary to achieve intended outcomes**

**Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**Principle F: Managing risks and performance through robust strong financial management**

**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**



# Principle A: Behaving with Integrity, demonstrating a strong commitment to ethical values and respecting the rule of law

## Steps we take to uphold the principle

In order to promote ethical behaviours amongst Members and Officers, the Council has a number of policies such as those relating to procurement, whistleblowing, counter fraud and anti-money laundering. The Council also reviews and adopts annually its Constitution which comprises rules of procedure and codes of conduct.

All Council decisions incorporate a legal implications section within the report and these are published on the Council's website as part of our agenda packs.

Officers and Members receive support from Legal Services in considering legal implications and if specialist legal advice is required then the Council will engage external advisors. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal and financial requirements and for reporting any such instances to Members.

## In addition the Council undertakes the following to ensure a strong commitment to ethical values and behaving with integrity including:

- ✓ Having Codes of Conduct in place for Members and Officers which include arrangements for registering interests and managing conflicts of interest. This is supported by an e-learning course for officers and face to face training through Member Induction.
- ✓ The Council's Constitution defines the roles and protocol of Members and officers in their dealings with each other.
- ✓ Staff are assessed against a set of key competencies to establish the right organisational values and culture both during the recruitment process and throughout the year through the Performance Management process.
- ✓ The Council has effective counter fraud and anti-corruption arrangements which are maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPA, 2014). The Council also participates in the National Fraud Initiative (NFI).
- ✓ The Council's whistle-blowing (Confidential Reporting) policy was updated and approved at Full Council on 19th May 2022 and continues to be promoted to staff
- ✓ Operating a robust information governance regime including promoting a culture of openness and encouraging reporting and investigation of data breaches. 18 breaches were reported through the year, one met the threshold to report to the Information Commissioner. Data subjects were also notified of the breach by a third-party supplier.
- ✓ Commissioning an Annual IT Health check from an accredited external security specialist who found our overall security to be 'Excellent'



# Principle B: Ensuring openness and comprehensive stakeholder engagement

## Steps we take to uphold the principle

All Council business is conducted in public unless legislation deems it appropriate for it to be considered in private.

During this year we have continued to enhance the technology enabling remote participation at meetings (for non-committee members and officers). This has meant that other partner agencies have been able to participate in meetings such as Overview & Scrutiny who may not otherwise have been able to attend.

During the year the Council has undertaken a number of consultation & engagement exercises including the following topics:

- Council Plan consultation
- Council Tax reduction scheme
- Ivybridge Town Plan engagement
- Waste and Recycling service changes engagement sessions
- Budget engagement with businesses

## In addition, the Council undertakes the following to ensure openness and comprehensive engagement:

- ✓ Publishes consultations and surveys on the Council website and uses a consultation checklist based on the Gunning Principles to structure consultations to ensure good communication guidelines are adhered to.
- ✓ Streams all public council meetings to Youtube and Facebook live enabling anyone to access the content of meetings.
- ✓ Utilises social media on a daily basis including Twitter, Instagram, Facebook, LinkedIn and YouTube to provide instant information on Council services thus allowing for a free flow of comments from stakeholders.
- ✓ Uses dedicated Community Engagement Officers to attend local events to canvas the opinions of stakeholders to help shape the delivery of Council services.
- ✓ Produces specific e-bulletins for various interest groups including Business, Housing, Neighbourhood Planning, etc.
- ✓ Prepares an Annual Report, extracts of which are in the Statement of Accounts (Section 1 – Narrative Statement)



# Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

## Steps we take to uphold the principle

The Council has a number of strategic documents and plans that guide its approach to achieving its vision and ensuring that it remains financially sustainable.

During the year, the Council developed its priorities for the next 4 years. The Council adopted its new priorities in February 2024. These can be seen [here](#). They include:

- a commitment to mitigating climate change and increasing biodiversity
- promoting the economy
- Supporting towns to develop Town Plans
- Developing a 'Keep it Local' scheme

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.

## In addition the Council undertakes the following to define outcomes in terms of sustainable economic, social and environmental benefits:

- Provides regular updates to Executive on progress against our adopted priorities
- Shows how the Council supports its priorities in the decisions it makes in each report that the Council considers
- Demonstrates its commitment to sustainability in the planning applications it determines
- Delivery of more EV installations on Council land
- Facilitating urban tree planting



# Principle D: Determining the intervention necessary to achieve intended outcomes

## Steps we take to uphold the principle

The Council operates a performance management framework to report on the progress against our adopted Council Plan. This framework includes:-

- Progress updates to Executive on key projects and activities
- 'Deep-dives' into specific priorities at Overview and Scrutiny.
- Regular Key Performance Indicator reports considered by Overview & Scrutiny
- Six-monthly Strategic Risk reports to Audit & Governance Committee setting out the key risks in achieving our ambitions
- Monitoring and reporting of progress against internal Audit recommendations

## The performance management framework also consists of a number of officer boards including :

- ✓ Strategic Delivery Board consisting of the Senior Leadership Team, Assistant Directors and other Heads of Service as required. This board has oversight of key strategic programmes including corporate strategy delivery.
- ✓ Performance Board which is responsible for overseeing organisational performance and to take operational service-based decisions around resource deployment and management
- ✓ Waste, Planning and Capital Programme Management boards to oversee progress of these key service areas.

## Partnerships and Governance

The Council has several partnerships that help to deliver our Strategic Priorities. Regular updates are provided by key partnerships to Members with them being provided either formally to the Overview & Scrutiny Panel or informally through the weekly Member Bulletin.

During 2024/25 the Council will be looking to review its key partnerships to ensure they continue to align to our priorities.



# Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

## Steps we take to uphold the principle

Through regular staff briefings, e-bulletins, team meetings and an online staff appraisal system, South Hams District Council ensures that all staff understand our corporate priorities and how their work contributes to them.

During 2023/24 there has been a continued focus on organisational development and people management.

In October we carried out our second employee survey (delivered by the LGA). This has enabled us to identify the key drivers to unlocking further potential within the organisation as well as benchmarking with other similar authorities. The survey demonstrated a positive direction of travel in respect of the overall balance of the employment deal.

## In addition the Council undertakes the following to develop the entity’s capacity of its leadership and the individuals within it:

- ✓ Delivered a Management Development Programme for a cohort of over 30 senior officers within the Council
- ✓ Provided a Member Induction programme following May 2023 elections.
- ✓ Promoted to staff the use of “Learning Pool” an extensive online learning resource
- ✓ Delivered focused training on specific issues (e.g. complaints, data protection, information security)
- ✓ Worked in partnership with local authorities and other bodies to achieve economies of scale -West Devon for our full Shared Services, Teignbridge District Council for Procurement support and Plymouth City Council through our Joint Local Plan.
- ✓ Conducted a staff survey to gauge employee satisfaction and assist in improving how the organisation performs.
- ✓ Held a Staff Awards ceremony to recognise outstanding performance, and highlighted compliments paid to staff from customers and colleagues in the weekly staff bulletin





# Principle F: Managing risks and performance through robust internal control and strong public financial management

## Steps we take to uphold the principle

There is a culture of risk ownership and management throughout the Council with Strategic Risks being logged centrally and are updated regularly. For each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result.

Elected Members have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration. In addition to continuing to report risks to the Council's Audit and Governance Committee twice a year, an overview of the risk profile is provided to the Executive on a regular basis as part of our Integrated Performance Management reporting.

During the 2023/24 year, the Audit & Governance Committee recommended an updated Risk and Opportunity Management Strategy to Council for approval. It was subsequently adopted.

All Committee reports include a reference, where relevant, to the potential impact on the Council's priorities and council plan themes, and address as appropriate any financial, staffing, risk, legal and property implications.

## In addition, the Council undertakes the following to manage risks and performance:-

- ✓ 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. Quarterly budget monitoring reports are considered by the Executive.
- ✓ Active performance management arrangements including regular reports to Overview & Scrutiny Panel and Development Management Committee on performance measures.
- ✓ Identifies key risks for each service as part of its annual service planning cycle
- ✓ Maintains risk registers for significant projects – capital programme, future IT etc.
- ✓ A robust complaints/ compliments procedure is in place and is widely publicised, with the Ombudsman's Annual Report being reported to the Overview and Scrutiny Panel.
- ✓ Freedom of Information requests are dealt with in accordance with established protocols.
- ✓ Fraud/Irregularity – during the year there have been two instances of fraud. Steps have been taken to minimise the likelihood of any reoccurrence. Any cases identified have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti-Fraud Network (NAFN).

## Local Government Association Peer Challenge

In March 2024, the Council asked the Local Government Association to carry out a Peer Review. The Peer review concluded that the Council is a well led, high performing Council that is delivering for its residents. It did make a small number of recommendations which will be addressed during 2024/25



# Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

## Steps we take to uphold the principle

The Council follows the Government Communication Service guidance on providing clear and accurate information and has a number of measures in place to demonstrate transparency and accountability.

An Audit & Governance Committee meets between five and six times a year and its role is to provide an oversight of the financial reporting and audit processes plus the system of internal controls and compliance with laws and regulations.

The Council also has two internal audit staff managed by the Devon Audit Partnership who provide an opinion on the internal control environment and governance processes. In March 2019 (Minute A.53/18), it was recommended to Council for South Hams to join the Devon Audit Partnership as a 'non-voting' partner. This was approved by Council in March 2019 with the Council joining the partnership as a non-voting partner from 1 April 2019.

## 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 Chief Executive 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, the Council's Constitution, good financial management and ensuring up to date risk management across the Council.

## In addition the Council undertakes the following to implement good practices in transparency, reporting and audit: -

- ✓ Appointing an external auditor (Bishop Fleming) for 2023/24 to make conclusions on our accounting and value for money arrangements
- ✓ Ensuring all Member decisions are formally minuted
- ✓ Streaming all of its public meetings online
- ✓ Publishing all Council decisions online together with background reports

# How we ensure our Governance Framework and controls are effective

**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/inspectorates.**

## **The Audit & Governance Committee**

The Audit & Governance 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 & Governance Committee provide:-

- i) independent assurance of the adequacy of the risk management framework and the associated control environment
- ii) independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment
- iii) oversight of the financial reporting process.

## **Internal Audit**

The Council'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 S151 Officer.

The Internal Audit function operates in accordance with best practice professional standards and guidelines to independently and objectively review 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. The Senior Leadership Team consider all Internal Audit reports and ensure that agreed recommendations are implemented.

The Internal Audit annual report for 2023/24 is on the agenda to be considered by the Audit & Governance Committee on 25<sup>th</sup> July 2024. The report contains the Head of Internal Audit's Opinion for the 2023/24 year which is that of "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.

# How we ensure our Governance Framework and controls are effective (cont)

## External auditors and other review agencies/ inspectorates

The key messages from Grant Thornton's External Audit 'The Audit Findings ' report for 2022/23 were considered by the Audit & Governance Committee at its meeting on 28<sup>th</sup> March 2024 (Item A.G. 43/23)

The document summarises the key findings from the Audit of Accounts. The report states:-

*“ We did not encounter any significant difficulties or identify and significant matters arising during our audit. Working papers and responses were of a good quality and we would like to thank the finance team for their support throughout the audit”*

Grant Thornton issued an unqualified audit opinion on the 2022/23 Accounts on 28th March 2024.

## Value for Money Arrangements

Grant Thornton's Value for Money work provides a commentary on the work the Council have undertaken to address the key elements of governance, financial sustainability and how to improve economy, efficiency and effectiveness.

The Value for Money arrangements for 2022/23 were considered by the Audit and Governance Committee at its meeting on 28<sup>th</sup> March 2024 (Item A.G 43/23)

In concluding their value for money assessment of the Council, Grant Thornton stated

*“We did not identify any risk or significant weaknesses. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”*

# Significant Governance Issues

Over the coming pages, we set out key issues for the Council during the year and the actions we will take to address any weaknesses identified in our governance system.

The issues identified within this section of the report are informed by our own testing and assessment including any significant risks from our Strategic Risk Register.

Issue Identified	Action to be taken	Responsible Officer and target date
<p><b>Financial Uncertainty</b></p> <p>The Executive considered the Medium Term Financial Strategy for the Council in September 2023. The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.</p> <p>The Council agreed a balanced budget at its meeting on 15th February 2024.</p>	<p>Council agreed a balanced budget for 2024/25 at the Council meeting on 15th February 2024. To balance the budget for 2024/25 of £13.1million, the Council identified savings and additional income of £1.46million.</p> <p>The Council is forecasting a budget gap by 2025/26 of £0.37million. In the year after, the budget gap is £1.39million, due to the local government reforms that are expected. These are the reset of the business rates baseline, the fair funding review and the impact of negative RSG (Revenue Support Grant), coupled with the loss of the business rates pooling gain.</p> <p>The Council will lobby the incoming Government for fairer funding for rural services and a longer term financial settlement.</p> <p>On 19th July 2024 the Council will publish its Productivity Plan, which is a national requirement from the Government. Within the plan, the Council has set out a number of areas which the Council has identified, where the Government could support us to further increase productivity. A copy is available on the Council's website <a href="#">here</a></p>	<p>Director Strategic Finance - 2024</p>

# Significant Governance Issues (Cont)

Issue Identified	Action to be taken	Responsible Officer and target date
<p><u>Health and Wellbeing (Leisure Centre) Service Provision</u></p> <p>The provision of leisure centres has seen significant challenges for management operators, such as Fusion Lifestyle. The pandemic, energy prices, rising inflation and cost of living continue to impact the provision of services and for customers to access facilities and be active.</p>	<p>The Council regularly meets with Fusion, both at local operations level and with its Senior Management to assess and understand the challenges and provide support where appropriate. As well this includes meeting with other Fusion client councils to consider wider business provision and impacts.</p> <p>We are supporting decarbonisation plans for reducing energy costs across our leisure centres and have agreed the installation of solar panels. The solar project is scheduled for 2024, to align with the timing of Fusion finalising their overall financial arrangements in the short term. Future growth and rising income remains positive in the medium and long term.</p> <p>The Council, with the support of Fusion, has been successful in securing funding from the Swimming Pool Support Fund to contribute to the future resilience of its leisure centres.</p>	<p>Director with responsibility for council land and property and S151 Officer</p>



# Significant Governance Issues (Cont)

Issue Identified	Action to be taken	Responsible Officer and target date
<p><b>Business Continuity</b></p> <p>Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid 19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCPs to the changing environment that we are operating in.</p>	<ol style="list-style-type: none"> <li>1. Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service.</li> <li>2. Agile working further reduces reliance on two office buildings.</li> <li>3. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident.</li> <li>4. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll &amp; Creditors Payments; other plans need to be made more robust – further work underway</li> </ol>	<p>Director Customer Service and Delivery</p>
<p><b>Cyber Security</b></p> <p>The risk is that the Council is the subject of a cyber attack which prevents deliver of some or all Council services or compromises data. It is now widely considered that it is when rather than if an organisation is the subject of an attempted cyber attack with more organisations successfully being targeted.</p>	<p>Rolling mandatory training programme for all staff and Councillors to highlight potential high-risk activities.</p> <p>Migration of key systems to cloud hosting to minimise impact of a successful attack.</p>	<p>Head of IT</p>

# Significant Governance Issues (Cont)

Issue Identified	Action to be taken	Responsible Officer and target date
<p><b>Internal Audit Recommendations</b></p>	<p>During the year, the Council's internal audit team have carried out a number of reviews in order to provide an annual opinion of the adequacy and effectiveness of the Council's internal control framework.</p> <p>At the meeting of the Audit and Governance Committee on 25<sup>th</sup> July 2024, the Head of Internal Audit will present his overall opinion for the 2023/24 financial year of "Reasonable Assurance". This means that following Internal audits undertaken during the year, the Internal Audit team consider that there are generally sound systems of governance, risk management and control in place across the organisation. There were no reports with Limited Assurance in 2023/24.</p> <p>In the previous financial year, 2022-23, there was one report with Limited Assurance and that was for Markets.</p> <p>This Audit included two high priority recommendations:-</p> <ul style="list-style-type: none"> <li>• Ensuring an accurate record of expected traders and comparing it to income received</li> <li>• Checking that traders Public Liability Insurance are up to date</li> </ul> <p>These recommendations have been Implemented.</p>	<p>IMPLEMENTED</p>

## Conclusion

The Council is satisfied that appropriate governance arrangements are in place. However it remains committed to maintaining and where possible, improving these arrangements, in particular by addressing the issues identified by Internal Audit and External Audit in their regular reports to the Audit and Governance Committee.

**Signed:**

**Cllr Julian Brazil**  
**Leader of South Hams District Council**

**Signed:**

**Andy Bates Chief Executive**  
**On behalf of South Hams District**  
**Council**

Date: Draft issued on 25th July 2024