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**Annual Governance Statement
South Cambridgeshire District Council**

April 2008

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1. Scope of responsibility

South Cambridgeshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Cambridgeshire 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the code is on the Council's website at www.scambs.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 the Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

South Cambridgeshire District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing a statement on internal control. This governance statement meets that requirement and sets out brief details of the arrangements the Council has in place regarding the key systems and processes comprising the Council's governance framework. This forms part of the Council's overall assurance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the CIPFA/SOLACE Framework for delivering good governance in local government (2007).

This Council's framework makes reference to the outcomes and recommendations of the Audit Commission following the Corporate Governance Inspection ("CGI") of the Council in 2006 and the re-inspection in 2008.

Principle one: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

- The Council has established three corporate objectives namely:
 - Working in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future
 - Delivering high quality services that represent best value and are accessible to all our community
 - Enhancing quality of life and building a sustainable South Cambridgeshire where everyone is proud to live and work
- These corporate objectives are underpinned by service priorities, which are built into the service planning process and individual objectives for all employees in the Council, thereby providing a focus for improvements being made in all areas of the Council's work. The Council has communicated these objectives to South Cambridgeshire residents through its quarterly magazine and on the website.
- The Council has implemented the CGI improvement plan. It contains an action plan, which has implemented the corporate objective setting process and thereby improving the service planning process, by reference to 'a golden thread' which links corporate objectives to service plan priorities. The Council's partners have been involved extensively throughout the improvement process and the Improvement Board acts as an external monitor for implementation of the action plan.
- The Council has also developed the following values in consultation with its officers: professionalism; customer service; commitment to improving services; mutual respect; and trust.
- A Corporate Governance Committee (successor to the Audit Committee) has been established with terms of reference set out in the constitution. The Committee takes responsibility for all governance arrangements within the Council and undertakes the core functions of an Audit Committee.

- An annual report will be produced on the Council's objectives, achievements, performance indicators and financial performance, following endorsement by the Corporate Governance Committee.
- The Policy and Performance service drives delivery of the Corporate Plan, working closely with services to spread best practice, track performance and strengthen performance against local targets. The performance management framework monitors delivery against targets and the Executive receives quarterly integrated business monitoring reports, which incorporate the Council's financial performance.
- The Council has a communications strategy aiming to building a positive image of the Council in the local community through clear communication with residents, partners and staff. This strategy contains an action plan setting out priorities for a three-year period starting September 2007. Similarly a customer service strategy focuses on informing and listening across the authority to engage with residents and partners.
- Working and engaging with the Council's partners is at the heart of the corporate objectives and the Council exercises strategic leadership through its role as Leader in the Local Strategic Partnership. The CGI re-inspection noted the Council's improvement in this area.
- The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate objectives. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to the Senior Management Team, Executive Management Team, Executive and Portfolio Holder meetings to ensure best use of council resources.
- The Council has developed a matrix of all its partners and is developing a partnerships register for significant partnerships, a risk management matrix and governance standards, in line with the Audit Commission's report on the governance of partnerships.
- The Council is developing its Sustainable Community Strategy for the period 2008 – 2011 setting out its partnership vision. Further progress is dependant on final national indicators being finalised.
- The Council is fully engaged with Cambridge City Council, Cambridgeshire County Council and Cambridgeshire Horizons in relation to the growth agenda within the Cambridge sub region. Two joint development control committees have been set up in connection with planning for the Cambridge Fringes and Northstowe.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Constitution acts as the guide for the operations of the Council and identifies the roles and responsibilities of the Executive, officers and Members. The Constitution also identifies the delegation of responsibilities for Council Functions through Committees, the Executive, portfolio holders and officers, and sets out how decisions

are made. It also sets out the management and operational responsibility within the Council. All decisions are published in a weekly e-bulletin, which is distributed to all Members, staff and the 90 parish councils within the district.

- The Constitution contains a 'Member Toolkit', which provides a single point of reference for all Members referring to all of the various rules, procedures and guidance to help them perform their role. The Toolkit contains the Code of Conduct and related guidance, together with all other related local codes and protocols governing member behaviour, reference to the IDeA skills framework and the member-training programme.
- The Constitution contains an updated Member-Officer protocol and full job descriptions for Members.
- The Monitoring Officer maintains an up to date version of the Constitution and ensures decision making is fair and lawful. Advice from the Monitoring Officer and/or the Chief Finance Officer should be taken on whether any decisions are outside the budget and policy framework. The Principal Solicitor receives copies of all Executive reports for consideration and input on the legal implications of proposed actions and strategies.
- The Chief Finance Officer ensures legality and prudence of financial decision making, and is the officer responsible for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.
- The performance management framework monitors delivery against targets and the Executive receive quarterly integrated business monitoring reports, which incorporate the Council's financial performance.

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- The Constitution acts as the guide for the operations of the Council and identifies the roles and responsibilities of the executive, officers and Members.
- The Constitution is supported by operational procedures manuals containing information on financial regulations, contract standing orders, business procedures and processes to be followed in all areas of the Council.
- A tailored induction pack and induction day is provided to Members on commencement of their term of office and job descriptions for their respective roles are included within the Constitution. A Members' Code of Conduct and Members' Undertaking are also in place. Appropriate processes are in place to monitor compliance. All of these matters are referred to within the Member Toolkit.
- Members are asked to sign up to a Member Undertaking to show their commitment to abide by the codes and protocols within the Member Toolkit as a demonstration of support for the high standards of personal behaviour by Members and good working relationships with officers. Officers are bound by their own Code of Conduct.

- The Toolkit contains a new internal disputes resolution procedure which can be used to deal with alleged breaches of the Code of Conduct.
- The Standards Committee promotes and maintains high standards of conduct within the Council and the 90 Parish Councils through the Code of Conduct for Members. The Committee is one of the Council's five regulatory committees with decision-making powers that reports to full Council. It has 15 members: Council Members are appointed by full Council; Parish members are elected by Parish Councils and there are independent members whose appointment is ratified by full Council.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- The Constitution acts as the guide for the operations of the council and identifies the roles and responsibilities of the executive, officers and Members. The Constitution also identifies the delegation of responsibilities for Council Functions through Committees and sets out how decisions are made. All decisions are published in a weekly e-bulletin, which is distributed to all Members, staff and the 90 parish councils within the Council's area.
- A Corporate Governance Committee has also been established with terms of reference set out in the constitution; which takes responsibility for all governance arrangements within the Council and undertakes the core functions of the Audit Committee.
- The Council has an in-house legal team supporting Members, all sections of the Council, including the various regulatory committees to ensure that the limits of lawful activity are not breached and that decision-making is fair.
- Scrutiny and Overview Committees have been established and the Constitution provides an overview and mission statement for these committees and includes their principal objectives and terms of reference. The committee have no decision-making powers, but can call in for review any decision made by the Executive or by Individual Portfolio Holders. A timetable for scrutiny programme planning sets out deadlines and an annual Scrutiny and Overview Committee report is produced to the Council.
- Portfolio Holder meetings are public meetings, where decisions are made in line with the constitution. Decision sheets for matters they have decided outside of formal meetings are published.
- The Council has a complaints procedure in place which is followed by officers within the Council. These are reported to the Senior Management Team and Executive quarterly as part of the integrated business monitoring report.
- The council has a Risk Management Strategy in place. The document acknowledges the obligation to minimise risk and details the process for identifying, recording, assessing, managing and reviewing risk. A strategic risk register has been compiled and is reviewed quarterly by the Executive Management Team and Corporate Governance Committee. Service risk registers are also in place.

- The Council has a Code of Conduct for staff incorporated in the Constitution as well as an Anti Theft, Fraud and Corruption Policy, Capability and Disciplinary Procedure and Whistleblowing policy.

Principle 5: Developing the capacity and capability of Members and officers to be effective.

- An Induction Pack is provided to all new and continuing Members who are elected. They are also provided with a copy of the Member Toolkit which contains more detailed information about standards expected of councillors, and includes vital documents such as the code of conduct. An induction day is also held at which the Chief Executive and corporate managers provide brief overviews of their service areas.
- A comprehensive programme of training for Members is provided through the IDeA and the Local Leadership Academy. Training is provided covering a variety of modules and areas as necessary. A schedule of training for 2007-08 is included in the member toolkit.
- All posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. Training needs are identified by the Council's appraisal scheme. Officers attend an induction session with the Chief Executive and a formal half-day induction and a departmental induction programme takes place. The Council is developing its management training programme by reference to a competency framework. Executive Management Team is undergoing specific training to develop its capacity. In-house and external trainers provide training. Personal development plans within service planning provide opportunities for development of officers in a variety of ways through the employee appraisal process.

Principle 6: Engaging with local people and other stakeholder to ensure robust public accountability.

- Scrutiny and Overview Committees have been established and the Constitution provides an overview and mission statement for these committees and includes their principal objectives and terms of reference. The committees have no decision-making powers, but can call in for review any decision made by the Executive or by Individual Portfolio Holders. A timetable for scrutiny programme planning is used that sets out deadlines and an annual Scrutiny and Overview Committee report is produced to the Council. The Committee meetings take place at different venues across the district.
- The Council's Planning Committee meetings include the opportunity for public speaking by applicants and objectors in line with a protocol.
- All decisions are published in a weekly e-bulletin, which is distributed to all Members, staff and the 90 parish councils within the district. All meeting agendas, minutes and decisions are published on the Council's website.

- The Council has an existing consultation policy, however this will be updated to meet the new duties of engagement.
- The Council's Performance Plan for 2007/2008 was published and will be succeeded by the Corporate Plan which clearly communicates the Council's corporate objectives to partners and the public.
- South Cambs magazine is published four times a year and delivered to every household in the district, updating residents on council news.
- Regular media releases and briefings ensure local media are used as a channel for keeping residents informed of upcoming issues and council decisions.

4. Review of Effectiveness

South Cambridgeshire 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates, including the Audit Commission through the CGI.

The following actions and processes have been applied in maintaining and reviewing the effectiveness of the governance framework over the last twelve months:

The Council and its Senior Management Team have implemented a number of policies, corporate documents and actions, as follows: -

- The Corporate Governance Inspection action plan has been endorsed and implemented.
- A new process for setting the Council's priorities and linking these to service planning has been implemented.
- The Council's Constitution has been reviewed.
- A Local Code of Governance has been adopted.
- Has taken a lead within the Local Strategic Partnership to develop the next phase of the Local Area Agreement.
- The Medium Term Financial Strategy is linked to the Council's priorities and is embedded in the business planning process, taking into account an external Strategic Financial Diagnostic on the Council's financial position.
- Improved financial control with the Resources Portfolio Holder and Executive receiving regular budget monitoring reports showing the Council's latest financial position.

The Corporate Governance Committee:

- Approved the 2006/07 Statement of Accounts.
- Approved and updated the Council's Risk Management Strategy and has monitored the Council's Risk Management activity.
- Monitored performance of the Internal Audit function.

- Approved the revision of the Council's financial regulations.
- Recommended the adoption of a Local Code of Governance.
- Endorsed the Council's assurance framework and overseen the review of partnership governance arrangements.
- Confirmed that the Emergency Planning arrangements for the Council are appropriate.

The Scrutiny and Overview Committees:

- Introduced meetings in the community to encourage participation by residents and partners including parish councillors.
- Developed of for the selection of scrutiny topics to ensure that programme planning is aligned to the corporate objectives and local concerns.
- Used task and finish groups to involve more Members in the process thereby utilising Members expertise.
- Provided some effective challenge.
- Have a dedicated officer to support scrutiny and have received training and mentoring from IDeA.
- All scrutiny Members and monitors have role descriptions endorsed by Executive and which are now included in the member toolkit.

The Standards Committee:

- Has contributed to government consultation on the new Code of Conduct and prepared district and parish councillors for the new Code.
- As part of its responsibility for training, arranged for all district councillors to attend training days on the Code of Conduct in early 2007 and for written guidance on the new Code to be issued to them as well as arranging for the Chairman of Standards Committee and the Deputy Monitoring Officer to provide a briefing to full Council in July 2007.
- Has ensured that all Members are provided with new guidance and updates via the weekly e-bulletin.
- Has worked hard over the last 12 months to increase the level of contact with Parish Councils and has issued hard copies of the Parish Council Toolkit to all Parish Councils.
- Has its own web-page and contributes to the Parish Council guidance page on the Code; registration of interests and applying for dispensations.
- Publishes a Parish Council Standards Committee Newsletter, which is e-mailed to all Parish Clerks and has run two training sessions in September 2007 in conjunction with Cambridgeshire and Peterborough Association of Local Councils (CPALC), which was well attended by Parish Chairs and Clerks.

External Audit and Audit Commission's comments:

- The Council has made good progress in improving corporate governance when re-inspected. Further improvements however are needed and are recognised in section 5 of this statement.
- The Council has achieved an overall Use of Resources score of 2 out of 4, which means it is performing adequately in these areas.
- The Council's direction of travel is positive.
- The Council's Statement of Accounts received an unqualified opinion from External Audit.

The Council's Assurance Framework:

- The Council's assurance framework is underpinned by the following processes and policies:
 - Corporate objective and priority setting
 - Service planning process
 - Annual budget and budgetary control process
 - Performance management framework
 - Self assessment against the local code of governance
 - Risk Management Strategy
 - Anti Fraud and Corruption Policy
 - Whistleblowing Policy
 - Codes of Conduct / Ethical Standards
 - Financial Regulations and Contract Standing Orders
 - Partnership protocols (in development)
- The framework is also informed by the views of Internal and External Audit and other review agencies.

Internal Audit:

- The internal audit provision is managed, independently, by the Audit Partner and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- The Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around corporate governance, scheduled visits to Council establishments and counter fraud. The resulting work plan is discussed and agreed with the Chief Executive, Executive Director, Corporate Governance Committee and shared with the Council's external auditor.
- Regular meetings between the internal and external auditor and review of the internal audit work by external audit ensure that duplication of effort is avoided.
- All Audit reports include an audit opinion on the adequacy of internal control; direction of travel and prioritised action plans to address any areas requiring improvement. Audit reports are submitted to the Chief Executive, Executive Director and Corporate Managers as appropriate; the Corporate Governance Committee receives regular updates on progress of the plan and full reports on request.
- The Council's review of the effectiveness of the system of internal control is informed by:
 - The Use of Resources assessment on internal control;
 - A review of Internal Audit conducted by Grant Thornton and the extent to which external audit placed reliance upon Internal Audit in relation to the key financial systems in 2007/08;
 - A self-assessment of the extent of compliance against the Chartered Institute of Public Finance Accountant (CIPFA) Code of Practice for Internal Audit (2006);
 - A self-assessment of the extent of compliance against the Internal Audit Quality Assessment Framework;
 - Performance against targets; and
 - Summaries of customer satisfaction questionnaires.

Internal Audit Opinion

An annual Internal Audit Programme has been undertaken within 2007/08, as per the Internal Audit Annual Report the Internal Audit Opinion is as follows:

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of South Cambridgeshire District Council 's risk management, control and governance processes.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2008 South Cambridgeshire District Council does have adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

As part of the annual internal audit plan for 2007/08 the following financial reviews have been undertaken:

- General Ledger (including budget setting and monitoring)
- Payroll
- Income and debtor
- Creditors
- Cash banking and treasury management
- Capital accounting and asset management
- Procurement

In November 2007 the financial audits concluded that segregation of duties did not appear to be a significant area of concern.

5. Significant governance issues

No.	Issue	Action
1.	<p>The Corporate Governance re-inspection has made three recommendations to the Council to further improve its governance arrangements, which are:</p> <p>R1: The Council must ensure recent developments in political conduct and leadership are sustained, deepened and broadened.</p> <p>R2: The Council must ensure the process of improvement continues to aim for profound and sustainable change in the way the Council operates.</p> <p>R3: The Council must ensure that, concurrent with improvements in processes and procedures, its policies and behaviours address the needs of, and promote the well-being of, all sections of the community.</p>	<p>A new CGI action plan will be produced and implemented to address the recommendations, following acknowledged project management principles. Progress will be monitored through the Improvement Board, Executive and Corporate Governance Committee.</p>
2.	<p>Procedures for setting up new partnerships, their governance arrangements and</p>	<p>These will be finalised during 2008/09 to address the</p>

	completing risk assessments for partnerships have not yet been formalised.	governance issues and will be presented to the Corporate Governance Committee.
3.	There is a need to further improve the Council's Scrutiny arrangements and processes.	The scrutiny arrangements are currently under review to find an efficient structure that will make best use of Members' expertise and provide robust challenge and evidence-based recommendations for improvement. The Council is engaging with IDeA to develop the status of scrutiny within the decision-making process.
4.	Performance management is not currently embedded throughout the Council.	The implementation of a new performance management system has taken place, which will go live in April 2008. This system will provide managers with better quality, timely data to help them manage and monitor performance. The Council has identified four performance champions to embed the performance culture within the Council.

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

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

Signed

Date:
 Greg Harlock
 Chief Executive and Chief Finance Officer

Date:
 Councillor Ray Manning
 Leader of the Council