

Report to: **Audit Committee**

Date: **30 June 2016**

Title: **Annual Governance Statement 2015-16**

Portfolio Area: **Support Services – Cllr S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

It is RECOMMENDED that:

- 1. The processes adopted for the production of the 2015/16 Annual Governance Statement are noted**
- 2. The adequacy and effectiveness of the system of internal audit is endorsed**
- 3. Members consider the draft Annual Governance Statement (AGS) for 2015/16 and the supporting evidence provided by this report and that the AGS is approved prior to the signature by the Leader and Executive Director (Strategy & Commissioning).**

1. Executive summary

- 1.1 Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.2 The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

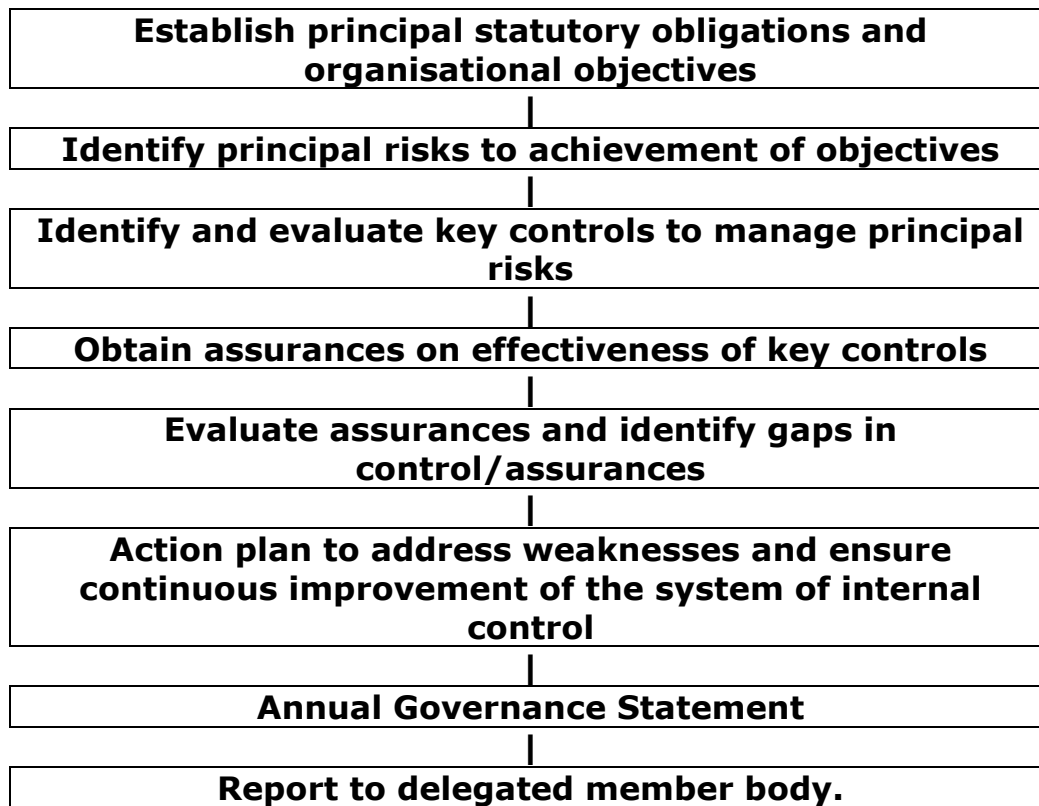
2. Background

- 2.1 The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.
- 2.2 The Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 2.3 Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

3. Outcomes/outputs

- 3.1 The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

3.2 The diagram sets out the key stages for the review of governance internal control and the AGS assurance gathering process as follows:



4. Options available and consideration of risk

4.1 The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

4.2 Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference include, specifically, inter alia:

- To agree the annual Internal Audit Plan
- To monitor the progress and performance of Internal Audit
- To consider the Head of the Devon Audit Partnership's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

5. Proposed Way Forward

- 5.1 The Annual Governance Statement (AGS) sets out any significant governance issues identified and progress made against these.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement.</p> <p>There is also a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 for the AGS to include a review of the effectiveness of the internal audit system.</p> <p>The Audit Committee has delegated powers to approve the Annual Governance Statement on behalf of the Council.</p>
Financial		<p>There are no direct financial implications arising directly from this report.</p>
Risk		<p>The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.</p> <p>These risks primarily relate to the achievement of the Council's core objectives and strategies and, therefore, the AGS provides an opportunity to formally review governance structures and processes that underpin their delivery.</p>

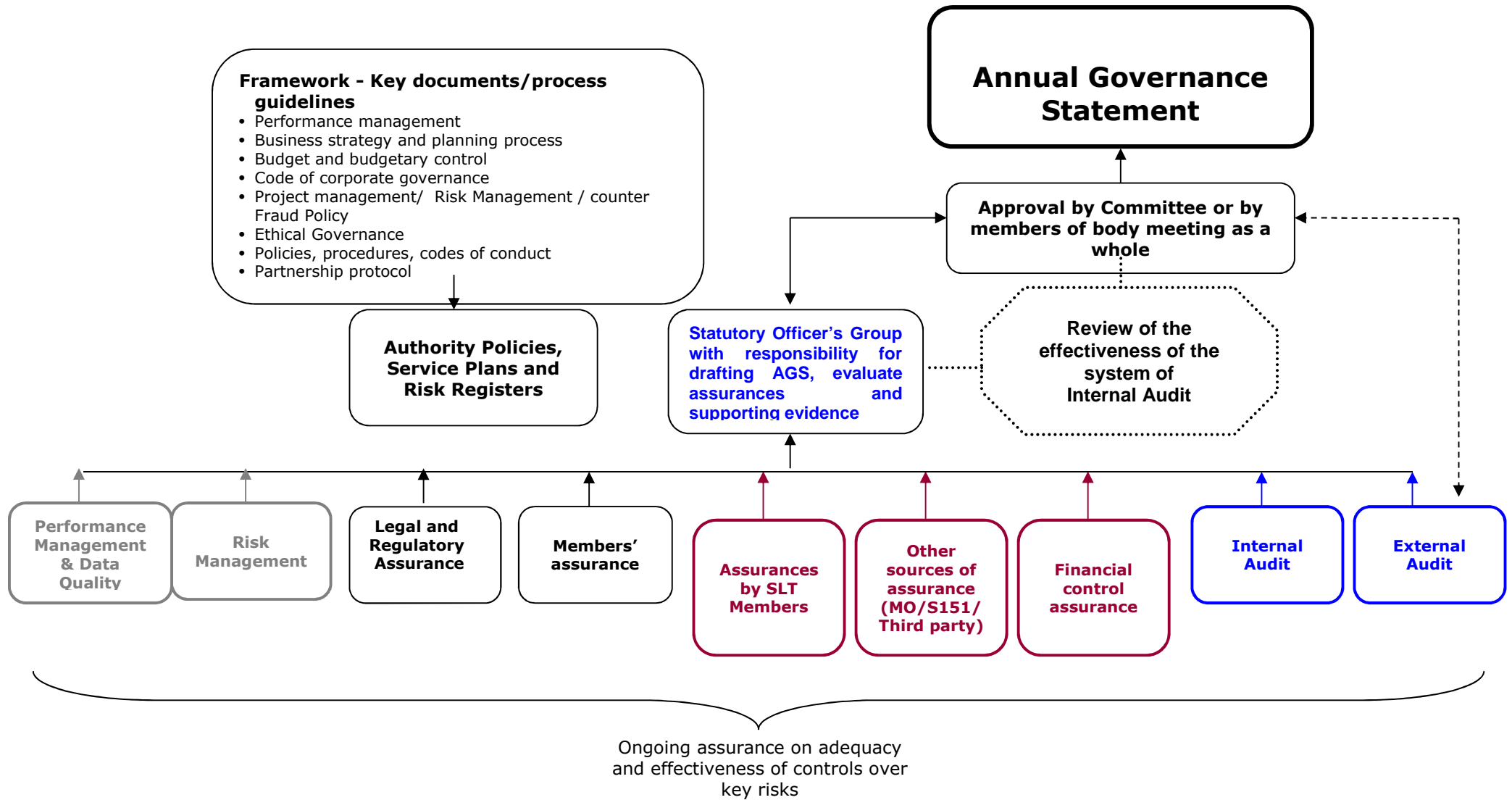
Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no specific issues arising from this report.
Safeguarding		There are no specific issues arising from the report.
Community Safety, Crime and Disorder		There are no specific issues arising from the report.
Health, Safety and Wellbeing		There are no specific issues arising from the report.
Other implications		None identified.

Supporting Information

Background Papers:

30th July 2015 Audit Committee – Annual Governance Statement 2014/15

ANNUAL GOVERNANCE STATEMENT FRAMEWORK



South Hams District Council Annual Governance Statement 2015 – 2016

1. Scope of Responsibility

South Hams District Council is responsible for ensuring that:

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

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

In discharging this overall responsibility, South Hams District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk. A Statutory Officers' Panel was set up in 2015-16 and a key role of this Panel is strategic risk management.

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

In early 2015 a completely new leadership team were appointed to lead the organisation through the transformation programme, become more customer-focused, save money, and explore ways of generating income for the Council. The Councils are now led by a small leadership team consisting of two Executive Directors and three Group Managers. The Senior Leadership Team (SLT) provide the strategic and operational direction of the Council and are supported by an Extended Leadership Team (ELT). The ELT includes the principal people managers and professional lead officers in areas such as Housing, Planning, Environmental Health, Asset Management, and Support Services such as Finance, Legal, and Human Resources.

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

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

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

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government concluded that the recommended criteria have been met in most areas. There is one exception to the standard in that the Chief Finance Officer is not a member of the Council's Senior Leadership Team (SLT). However, she has full access to the SLT agenda, reports and actions arising from the meetings and is able to attend SLT on any item. In addition, the S151 Officer attends SLT on a monthly basis to give a financial review and update. Direct access to the Head of Paid Service is also available on a regular basis. Her influence and impact on financial management is not deemed to be compromised by this local arrangement.

2. The Purpose of the Governance Framework

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

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at South Hams District Council for the year ended 31 March 2016 and is expected to continue up to the date of approval of the Accounts by the Audit Committee.

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles (key elements) of corporate governance that underpin the effective governance of all local authorities. South Hams District Council has used these principles when assessing the adequacy of its governance arrangements. The main items that contribute to these key elements are listed below:

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

- The Council's policies, aims and objectives are well established and monitored at various levels, for example forward plans, annual service planning process and personal development reviews
- The Council's adopted Priorities are confirmed in Article 6 of the Constitution and are published on the Council's website
- In March 2016 the Overview and Scrutiny Panel and the Executive considered the 'Our Plan: South Hams' which is a single strategic document that sets out the vision, objectives and activities of the Council. It brings together all strategies and plans and sets out a comprehensive story of what the Council wants to achieve through two blended and inter-related elements;
 - i) The corporate plan establishing the Council's vision, objectives, priorities, actions and delivery approaches and
 - ii) The Local Plan establishing land use planning policies and allocations – the Council's work on the Joint Local Plan between Plymouth City, South Hams, West Devon and Dartmoor National Park is described further below.

<http://mg.swdevon.gov.uk/ieListDocuments.aspx?CIId=134&MIId=48&Ver=4>

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

The Our Plan Themes and Objectives are:-

Economy – Creating places for enterprise to thrive and business to grow
Homes – Enabling homes that meet the needs of all
Infrastructure – Securing the services and facilities that meet the needs of our communities
Communities – Empowering residents to create strong communities
Wellbeing – Supporting positive safe and healthy lifestyles
Environment – Protecting, conserving and enhancing our built and natural environment
Heritage – Celebrating our past and protecting our heritage for the future
Resources – Promoting energy efficiency and more effective use of our natural resources

In tandem, work has begun to develop a Joint Local Plan between Plymouth City, South Hams, West Devon and Dartmoor National Park. Work on this joint plan is due to be completed by early 2017; a key milestone for those wishing to progress their Neighbourhood Plans.

- All staff briefings undertaken by SLT articulate the vision and new ways of working;
- The Council's corporate strategy (T18) has been implemented supported by a detailed project plan that has been made widely available;
- Regular consultation is undertaken on a range of issues;
- Effective budgetary monitoring takes place regularly and is reported quarterly to Members
- Cashable savings identified in the T18 programme are on target;
- Performance management and reporting is embedded including quarterly reporting to the Overview and Scrutiny Panel;
- Scrutiny teams have delivered tangible outcomes.

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

- The Council's T18 programme clearly identifies its priorities, goals and promises statement which exemplifies its vision and values
- Performance measures are linked to drivers, goals and the service/Council priorities and these have continued through 2015/16.
- The Council uses a suite of performance indicators that includes measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Leadership Team (SLT) and Members (Overview and Scrutiny Panel) is in place.

- The Council is also instigating a new suite of performance management dashboards, which will give Members and management access to near real-time information on demand and service levels.
- The Council publishes a Medium Term Financial Strategy (MTFS) each year, which covers a five year period. That for the period 2016/17–2020/21 was approved by the Executive in October 2015 and has regard to the Priorities, business planning – pressures and savings
- There is a single organisation approach between Members and Officers
- The Council's Constitution clearly states the roles and responsibilities of Members and Senior Officers
- Terms of reference for Committees and Member responsibilities are clearly defined
- Clear delegations and accountabilities are laid down in the Constitution
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Procedure and Contract Procedure Rules that are reviewed and approved by the Council
- Appropriate segregation of duties and management supervision
- The role of the Chief Finance Officer (s151 Officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control.
- The role of the Monitoring Officer (MO), as documented in the Constitution, has responsibility for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.
- There is an annual process to review and agree the Pay Policy Statement in accordance with the Localism Act Section 38.

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

- Staff assessed against a set of key behaviours (known as 'IMPACT') to establish the right values and culture
- The Council's whistle-blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council's Intranet (including Frequently Asked Questions) and is also publicised internally on an occasional basis to maintain its profile.
- The Council's Constitution also defines the roles of Members and officers. Part 5 of the Constitution includes a Protocol on Councillor / Officer Relations. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted Members of Council bodies in their dealings with officers where appropriate.
- There are codes of conduct in place for Members and Officers which include arrangements for registering interests and managing conflicts of interest.

- The Overview and Scrutiny Panel is responsible for overseeing the Members' Code of Conduct and good governance by Members, and its terms of reference are set out in the Constitution
- There is an effective Audit Committee in place with clear terms of reference.

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

Following the Boundary Review and the local elections, 2015/16 was the first year for the new 31 Member Council. To coincide with the reduction in Members, a new governance structure was implemented whereby all 31 Members served on one of either: the Executive; the Overview and Scrutiny Panel, or the Development Management Committee. Other notable changes were that the Executive membership was reduced from eight to six and the number of Overview and Scrutiny Panels was reduced from three to one.

With regard to the Executive portfolio areas, these were no longer linked to service areas, but were each now aligned to a representative of the Council's Senior Leadership Team.

- Members on the Overview and Scrutiny Panel receive training on effective scrutiny practices
 - Decisions taken are formally minuted
 - Committee Members are aligned to service areas and regularly communicate with and provide strategic direction to the relevant SLT lead
 - The formal management of risk is in place and subject to monitoring by the Senior Leadership Team and reporting to the Audit Committee.
- A Statutory Officers' Panel which meets quarterly has been set up comprising of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer with other key officers invited as appropriate. This Panel amalgamates the former Probity Group, Risk Management Group and Governance Group, and its key roles are to ensure that the Councils comply with, and manage:

Governance frameworks
Strategic risk management, and
Regulatory framework

The Statutory Officers' Panel has important links with the Audit Committee and the Overview & Scrutiny Panel.

- A separate risk register is maintained for the T18 Transformation Programme.
- Active health and safety arrangements, including a robust policy, reviewed and approved by members, regular consideration of issues at SLT.
- 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 presented to the Executive.
- Formal quarterly budgetary monitoring reports on T18 are reviewed as part of the T18 programme and are reported quarterly to the Executive
- Active performance management arrangements
- A robust complaints/ compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and community plan themes, and address as appropriate any financial, staffing, risk, legal and property implications.

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

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy s151 and Monitoring Officer in place
- Officer training programmes are considered at each Staff Appraisal
- Focused training is delivered on specific issues (e.g. complaints, data protection)
- A staff survey was carried out to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.

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

- Our Plan was considered by Members in March 2016
- There is regular community engagement and participation both in general and for specific community groups and services provided, for example, Parish Councils
- Committee and Council meetings are open to the public, with papers available in advance on the internet (save where 'exempt' under the Local Government Act 1972 following formal evaluation of the public interest)

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

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior Managers, with the Executive Director informing the Executive of any significant matters warranting their attention.

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

The Overview and Scrutiny Panel is responsible for performing a review function which in 2015/16 included specific work on;

- Overview and Scrutiny Member Learning and Development Plan
- Service Level Agreement for the Citizen's Advice Bureau
- Service Level Agreement for the CVS
- Waste Task and Finish Group – Review and Future Plan
- Dartmouth Lower Ferry Task and Finish Group
- Performance Measures – Task and Finish Group
- Partnerships Task and Finish Group
- Events Policy Task and Finish Group
- Devon Home Choice and Local Allocations Policy Review
- Ombudsman Update and Annual Review Letter
- Community Safety Partnership
- Disabled Facilities Grants
- Review of Fees and Charges 2016/17
- New Homes Bonus Allocation to Dartmoor National Park Authority
- Progress against Our Plan: South Hams
- Dispensations for Dual Hatted Members
- Business Development Group Manager Update
- Income Generation Opportunities
- Update report of RDPE – LEAF/LAG Programme
- Budget Proposals 2016/17
- Performance Updates – e.g. Contact Centre, Development Management Service

- Health and Wellbeing (Leisure) procurement update
- Complaints Policy
- Homeless Strategy
- Locality Delivery

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

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

- Dartmouth and District Indoor Pool Trust
- Maritime and Coastguard Agency
- Annual Devon & Cornwall Housing (DCH) Presentation

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

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

Internal Audit

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

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

The Internal Audit annual report for 2015/16 is also due to be considered by the Audit Committee on 30 June 2016. The report contains the Head of Internal Audit's Opinion which is that "Based on the work performed during 2015/16 and that of their experience from previous year's audit, the Head

of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework. This view forms part of the Annual Governance Statement for 2015/16.

Senior Managers

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

External auditors and other review agencies/inspectorates

Our external auditors (Grant Thornton) have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their 'Audit Findings' report. For the 2015-16 year our external auditors have changed to KPMG and at the time of writing the Annual Governance Statement their report on their Interim Audit findings was awaited. An update will be provided at the Audit Committee meeting.

The Grant Thornton 'Audit Findings' report for 2014-15 was presented to the Audit Committee in September 2015. Grant Thornton gave an unqualified opinion on the Council's financial statements and stated:

- The accounts were free of significant errors; and
- Grant Thornton have not identified any adjustments that would affect the Council's reported financial position.

Value for Money audit conclusion – Also contained within the 'Audit Findings' report, Grant Thornton stated that they were satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ending 31 March 2015. The report gave the Council a 'Green' rating (the highest rating possible, which indicated adequate arrangements are in place) in all the areas assessed of strategic financial planning, financial control, financial governance, prioritising resources and improving efficiency and productivity.

The 'Audit Findings' report identified two areas of Internal Control which were given an 'Amber' rating which signified Adequate arrangements were in place, but with areas for development. These were:-

- Fixed Asset Register – The asset software system should be updated to ensure it agrees with the amounts disclosed in the Accounts. There was a small imbalance of 0.5% between the classification between cost or valuation and accumulated depreciation. (The Council has progressed meetings with the software supplier in 2016 to rectify this issue).
- Journals – All journals should have a narrative description to explain the nature and purpose of the transaction. (A reminder was sent to all staff who processed journals to emphasize the importance of adequate narrative on all journals).

Significant Governance Issues

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

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

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

Issue Identified	Action to be Taken	Responsible Officer
<p>T18 Transformation Programme</p> <p>South Hams District Council and West Devon Borough Council have undertaken innovative plans to transform the way the Councils carry out their work, casting aside the traditional ways of local government. Long-established Council departments have been replaced by customer-focussed teams of officers who work out of the office and more within the community. The Councils have invested in the latest technology and the Councils' workforce is smaller, reducing the need for office accommodation, and all staff roles have changed. The introduction of a new IT system whilst at the same time the Council's workforce having been reduced by 30%, has meant that performance in some key areas has been below that which should be expected.</p> <p>On 16th June 2016 the Executive considered a report on Transitional Resources. The Executive have recommended to Council (on 30th June) to approve the re-investment of £0.5 million of T18 savings and new homes bonus funding, to fund the transitional staffing resources set out in the report.</p>	<p>Quarterly monitoring reports on the Transformation Programme are presented to the Council's Overview and Scrutiny Panel and Executive.</p> <p>The T18 risk register is reviewed quarterly as a minimum by the Senior Leadership Team (SLT) and Programme Board, and is presented to the Audit Committee every six months. This will continue for the duration of the programme.</p> <p>In recognition of the early successes of this innovative transformation programme the Council achieved national recognition as Council of the Year for 2016 at the recent iESE (the Improvement & Efficiency Social Enterprise) Awards.</p> <p>The Council's Head of Paid Service and Group Manager have regular weekly meetings with the IT software supplier.</p> <p>Transitional Resources Report to Executive (16/6/16) and Council (30/6/16)</p>	<p>Senior Leadership Team S.151 Officer Monitoring Officer Internal Audit Manager</p> <p>Timescale in line with the Programme.</p> <p>Programme Board for T18</p> <p>Audit Committee</p>

Issues and action plan from the System of Internal Control:

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

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><i>Financial Uncertainty</i></p> <p>As Local Authorities experience reductions in funding, although South Hams District Council currently has a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of the further government funding reductions.</p> <p>A Medium Term Financial Strategy (MTFS) was presented to the Executive in October 2015 setting out the current position and was regularly updated throughout the 2016-17 Budget Setting process.</p> <p>There is still more to be done but the Council is establishing a solid base from which to become more commercial in its approach to meeting the forecast budget gap of £1,009,835 by 2020/2021, whilst protecting its much valued services.</p> <p>The next MTFS is due to be presented to Members in September 2016. The Council has commenced several initiatives that aim to help us to reduce our costs and meet the enormous challenge of a significant funding gap. These include the T18 Transformation Programme. The programme has delivered new and very different ways of working (see above);</p>	<p>Other initiatives in progress include:</p> <ul style="list-style-type: none"> • Strategic Asset Review; and • Income generation initiatives • Local Authority Controlled Company (LACC) - On 25/2/16 (Minute CM63) Council agreed that a detailed business case and implementation plan be produced to enable further consideration of the merits of establishing a Local Authority Controlled Company jointly with West Devon Borough Council to deliver services for South Hams District Council and West Devon Borough Council, and to other organisations as contracts are won 	<p>Senior Leadership Team S151 Officer On-Going</p> <p>Report to Council at the end of July 2016 for a decision on the LACC</p>

Issue Identified	Action to be Taken	Responsible Officer and Target Date
<p>Business Rates Appeals Provision</p> <p>The way that Councils receive income from Business Rates changed from 1 April 2013. Business Rates retention was introduced to enable authorities to be able to retain a share of any growth that is generated in Business Rates revenue in their areas. The business rate retention scheme allows authorities to voluntarily form a business rates retention pool.</p> <p>The membership of the Devon Pool consisted of all Devon District Councils, Devon County Council, Torbay Unitary and Plymouth Unitary.</p> <p>The Valuation Office provided a list of outstanding appeals for the Council, and these have been taken account of when completing the government return NNDR3 for 2015/16 (section relating to business rates appeals provision).</p> <p>There is uncertainty and risk surrounding the calculation of the business rates appeals provision as future events may affect the amount required to settle an obligation.</p> <p>The Council has taken external specialist advice on the accounting for its appeals provision for 2015/16 and has also engaged the Council's external auditors (KPMG) in early discussion on the subject.</p>	<p>The Council took a decision to withdraw from the Devonwide Business Rates Pool for 2015/16, due to the risk of some large Business Rates appeals. If the Council had remained in the Pool, the Council would not receive a safety net payment from the Government if its business rates income fell by more than 7.5%. This financial burden would have fallen on all of the Devon Councils and this financial risk was deemed too high.</p> <p>The Council has submitted its NNDR3 return for 2015/16 and this includes a significant increase in the appeals provision of £26.7 million. The Council's share of this is 40% (£10.68 million).</p> <p>This has meant that the Council is eligible for a safety net payment from DCLG of £9.86 million in 15/16.</p> <p>The Council will further liaise with KPMG during the audit of the Accounts in July 2016</p>	<p>Already actioned.</p> <p>The NNDR3 return for 2015/16 was submitted at the end of May 2016. The Council's preceptors were informed of the level of the appeals provision and the reasons for this.</p> <p>S151 Officer Already actioned May 2016</p> <p>S151 Officer July 2016</p>

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Heart of the South West Devolution Bid</p> <p>On 11/2/2016 (Minute CM 57) Members considered a report on the Devolution Bid that sought to endorse the current approach to devolution and the drafting of proposals, their submission and negotiation of a deal for the Heart of the South West.</p> <p>Devolution for the Heart of the South West (HotSW) is being led by the Leaders of Somerset and Devon County Councils, all Somerset and Devon Districts, Torbay Council, Plymouth City Council, Dartmoor and Exmoor National Parks, three Clinical Commissioning Groups and the Local Enterprise Partnership.</p> <p>The partnership submitted their Prospectus for Productivity to Government in February 2016. The three goals are around:</p> <p>People: who are healthy, with the skills they need to access higher value jobs and grow their careers.</p> <p>Business: more businesses creating new jobs and increasing productivity.</p> <p>Place: sustainable growth across the geography, supported by modern infrastructure and accelerated housing delivery.</p> <p>Key outcomes by 2030 include:</p> <ul style="list-style-type: none"> 163,000 new jobs 179,000 new homes 100% broadband coverage 60% of workforce qualified to NVQ Level 4 or above 	<p>The Partnership is undertaking a full governance review which will report back in July 2016.</p> <p>A report will be presented to Members at the July 2016 Council meeting to recommend agreeing to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area.</p>	<p>Executive Director (Strategy & Commissioning)</p> <p>July 2016</p>

Issue Identified	Action to be Taken	Responsible Officer and Target Date
<p>Internal and External Audit Reports</p> <p>Some issues have been identified in audit reports by the Council's external auditor, (Grant Thornton for 2014-15 and KPMG for 2015-16), and the shared in-house internal audit team.</p> <p>Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed.</p>	<p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p>	<p>Extended Leadership Team (ELT) S151 Officer Internal Audit Manager In line with agreed timescales</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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

Signed:

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

Date: To be inserted