

Report to	<b>Audit Committee</b>
Date	<b>20 June 2011</b>
By	<b>Monitoring Officer</b>
Title of Report	<b>Annual Governance Statement</b>
Purpose of Report	<b>To seek approval to the Annual Governance Statement for 2010-11 to accompany the Authority's Statement of Accounts</b>

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**Recommendation: That subject to Members' comments, the Annual Governance Statement for 2010-11 be approved to accompany the Authority's Statement of Accounts**

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## **1. Introduction**

- 1.1 This reports explain the statutory basis for the production of an Annual Governance Statement, and the contribution this makes to ensuring good governance within a public authority. The final draft of the Annual Governance Statement for 2010-11 is **appended** to the report for approval.

## **2. Background**

- 2.1 Under the Accounts and Audit (England) Regulations 2011 the Authority is required to conduct a review at least once a year of the effectiveness of its system of internal control. The findings of that review must be considered by a committee of the Authority, or by the Members of the Authority as a whole. Following that review, an "annual governance statement" , prepared in accordance with "proper practices" in relation to internal control, must be approved. The approved statement must then accompany the Authority's Statement of Accounts.
- 2.2 The "proper practices", in accordance with which the Annual Governance Statement is to be prepared, are set out in guidance to local authorities issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief executives (SOLACE).

## **3 Guidance**

- 3.1 The guidance suggests that, to carry out its review, the Authority will need to:
- Consider the extent to which the Authority complies with the principles and requirements of good governance as set out in the guidance
  - Identify systems, processes and documentation that provide evidence of compliance
  - Identify the individuals and committees responsible for monitoring the systems, processes and documentation identified
  - Identify the issues that have not been addressed adequately by the Authority and consider how they should be addressed
  - Identify the individuals who would be responsible for undertaking the actions required and plan accordingly
- 3.2 The Guidance advises that governance arrangements should be assessed against the following core principles:

- Focusing on the purposes of the Authority and on outcomes for the community and on creating and implementing a vision for the local area
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - Developing the capacity and capability of Members and officers to be effective
  - Engaging with local people and other stakeholders to ensure robust public accountability
- 3.3 In respect of each core principle, the Guidance offers more detailed advice as to how the Authority's arrangement should be reviewed. The Guidance also includes an example of how an annual governance statement may look.
- 3.4 The Guidance further suggests that each local authority should consider adopting in due course its own Local Code of Corporate Governance. This would set out the Authority's own objectives in relation to each of the core principles of good governance, and how the Authority will seek to measure its performance against these criteria.

#### **4 Annual Governance Statement for 2010-11**

- 4.1 The proposed approach to the preparation of the Annual Governance Statement for 2010-11 was the subject of a report to the Audit Committee on 5<sup>th</sup> April 2011.
- 4.2 It was agreed that the Monitoring Officer, Chief Finance Officer and Director of Corporate Services liaise to prepare a draft Annual Governance Statement for 2010-11, in compliance with the Guidance, and which records the work that has been undertaken to establish governance arrangements.
- 4.3 One of the "actions" for further improvement in 2011-12 is to build on the work undertaken to date by the development of a Local Code of Corporate Governance for the Authority. The Audit Committee and Standards Committee would each have a key role to play in that initiative.

#### **5 Resources**

- 5.1 The preparation of the Annual Governance Statement has been done within existing identified resources.

#### **6 Risk Management**

- 6.1 The carrying out of an annual review, together with the reporting of its outcome to the Audit Committee, provides assurance that arrangements are adequate and operating effectively in practice and, where gaps are identified, that action is planned to address this for the future.

#### **7 Human Rights, Equalities, Health and Safety**

- 7.1 No specific implications.

#### **8 External Consultees**

- 8.1 None.

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Appendices	Final Draft Annual Governance Statement
SDNPA Consultees	Chief Executive Officer, Director of Corporate Services, Chief Finance Officer, Deputy Chief Finance Officer, Senior Management Team

**ANNUAL GOVERNANCE STATEMENT FOR SOUTH DOWNS NATIONAL PARK  
AUTHORITY 2010-11**

**1. Scope of responsibility**

1.1 The South Downs National Park Authority 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.

1.2 The Authority 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.

1.3 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions, and which includes arrangements for the management of risk.

1.4 The South Downs National Park Authority came into being in "shadow" form on 1 April 2010, and the focus of the Authority's activity and decision making in year 2010-11 has been making of preparations for taking on full statutory responsibilities from 1 April 2011. This statement outlines how the Authority has approached the question of how it will go about the discharge of its statutory functions, and how it has adopted a governance framework in support of its objectives. The statement also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 for the Authority to conduct a review at least once in a year of the effectiveness of its system of internal control.

**2 The purpose of the governance framework**

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

2.2 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.

2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's aims, objectives and policies, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The system of internal control has been in place within the Authority for the year ended 31 March 2011 and up to the date of approval of the annual report and Statement of Accounts.

2.5 The process by which the review of internal control has been conducted was the subject of consideration by the Authority's Audit Committee. The agreed process has involved the Interim Chief Finance Officer, Director of Corporate Services and Monitoring Officer carrying out the review in consultation with members of the Senior Management Team. A draft of the statement has then been considered by Audit Committee, prior to approval by the full Authority. The Audit Committee has also agreed that an action for the Authority in its second year of operation, 2011-12, shall be the preparation and adoption by Members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year's annual governance statement by forming agreed criteria against which the effectiveness of the governance framework

may be assessed.

### **3 The Authority's Approach to National Park Purposes**

3.1 Through carrying out its general statutory duties and responsibilities in connection with the two national park purposes, the Authority seeks to work for and with the local community to foster the social and economic wellbeing of communities within the National Park.

3.2 The Authority's approach to the delivery of national park functions has been the subject of consideration by Members. Guiding Principles have been adopted. A key element in the agreed approach is working with partners and community groups.

3.3 The Authority has therefore developed and maintained a range of relationships and arrangements with other agencies in the public, private and voluntary sectors, to ensure that they are able to engage with and contribute to the work of the Authority. An Accord with Natural England was entered into in November 2010, and Memoranda of Understanding with the South Downs Network and South Downs Land management Group, in February 2011. In March 2011 a Memorandum of Understanding with the Associations of Local Councils within the South Downs was agreed. The Authority also made Member appointments to a number of local partner organisations and groups including the South Downs Local Access Forum, East and West Sussex Rural Forums.

3.4 The delivery of planning services has been the subject of specific consideration, resulting in Members agreeing to enter into agency arrangements with local authorities for the delivery of services from 1 April 2011.

3.5 In March 2011 the Authority considered and approved arrangements for the establishment of a Sustainable Communities Fund, including the making of grants to local community and voluntary groups for projects supporting sustainable communities within the National Park. The Grants Panel includes membership of local organisations from the private and voluntary sectors.

3.6 Since its inaugural meeting on 20 April 2010, the Authority has operated arrangements to enable members of the public to ask questions and make representations on relevant matters at meetings of the full Authority and its committees.

3.7 In March 2011, the Authority adopted a complaints procedure to enable complaints about the Authority's activities to be considered and responded to. Information on how to use the complaints procedure is available via the Authority's website. Provision has been made for an annual report on complaints received to be considered by the Authority's Standards Committee, so that the Authority can be assured that the procedure is working well and that lessons for service improvement are being identified wherever practicable.

### **4. Structures and processes**

4.1 The Authority has established structures and processes which support its approach to discharging national park purposes, by ensuring that there is transparency and accountability in its decision making and in the use of public funds. The Authority intends that the successful operation of such processes will be consistent with aims of sound administration and enhance the confidence of partners and stakeholders in its affairs.

4.2 On 20 April 2010 the Authority established four committees with distinct terms of reference: Audit Committee, Resources and Performance Committee, Planning Committee and Standards Committee. This enables Members to develop expertise in particular areas of the Authority's operations and contributes to the efficient discharge of the Authority's business.

4.3 Major strategic plans and policies receive consideration by members. A scheme of delegation to officers was approved by Members in April 2010, making clear that the role of officers is to implement and give effect to strategies and policies approved by the Authority.

4.4 In 2010-2011 the Authority held nine full meetings of the Authority, all of which were open to members of the press and public to attend and make presentments to (save for individual items of a sensitive nature properly considered in confidential session). Agendas and minutes of meetings are available for inspection by the public both at the Authority's offices and via the Authority's website. The Authority has adopted Standing Orders governing the conduct of business at meetings of the Authority and its committees.

4.5 In addition to formal meetings, there have been a number of informal briefing and training sessions for Members on various aspects of their responsibilities and to aid the development of policy. Decisions on policy and strategic issues are made in formal meetings. A Member Development Strategy is in place and there are annual Member discussions about development needs.

4.6 At its inaugural meeting on 20 April 2010, the Authority designated the roles of statutory officers. Richard Shaw, as Chief Executive, is National Park Officer and Head of Paid Service. Kevin Gardner, Head of Legal Services for Hampshire County Council, is Monitoring Officer. Catherine Vaughan, Chief Finance Officer for Brighton and Hove Council, is Interim Chief Finance Officer (Section 151 Officer).

4.7 The Authority has maintained arrangements to ensure that its dealings are lawful. In addition to the advice of the Monitoring Officer, the Authority receives legal services support from West Sussex County Council's Legal Services under a service level agreement. In 2010-11 no formal reports by the Monitoring Officer, further to S.5 Local Government and Housing Act 1989, were necessary.

4.8 An indemnity for members and officers against personal liability was the subject of a report to members, the recommendations of which were agreed, in February 2011.

4.9 The Authority's approach includes maintaining a small core staff, with outsourcing of a range of specialist services such as finance, legal services and ICT. This is designed to ensure flexibility in the use of resources to meet changing needs, and to secure value for money.

4.10 The Authority's 2011/12 budget and Medium Term Financial Strategy are based on an assessment of the Authority's longer term funding position, and involve only committing additional resources on one-off projects. This is to protect the Authority's financial position and manage risk .

## **5. Risk management and internal control**

5.1 The Authority has established a systematic strategy, framework and processes for managing risk. A risk register is maintained, and reviewed on a quarterly basis at meetings of the Audit Committee. This enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

5.2 At its inaugural meeting the Authority adopted Financial Regulations, providing a framework for the management of the Authority's financial affairs. At this meeting the Authority also adopted a Treasury Management Policy and Annual Investment Strategy. A Budget and Business Plan were approved by the Authority in May 2010. Financial Regulations and Procedures were the subject of further review by the Authority in March 2011.

5.3 Contracts standing orders were adopted in July 2010, setting out arrangements governing the award of contracts, to ensure that procurement processes were fair, transparent and lawful, and that best value for money is being obtained.

5.4 Payment of allowances to Members is made in accordance with Scheme approved by Members following receipt of an independent review, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

5.5 Members have a key role in providing assurance that the Authority's funds are used economically, efficiently and effectively in accordance with agreed policies. The financial strategy and budget is agreed by the Authority following scrutiny by the Resources and Performance Committee, who receive reports on budget monitoring. The Authority's accounts are subject to external audit on an annual basis and reported to the Audit Committee at a public meeting.

5.6 The Authority has also received confidential reports on the matter of securing long term premises, exercising due care to ensure that the needs of the Authority are met in the most appropriate way.

5.7 As part of its preparations for becoming fully operational from 1 April 2011, the Authority has taken care to manage the transitional arrangements for transfer of responsibility from the South Downs Joint Committee. Members considered and approved a Transition Plan in November 2010.

5.8 Internal audit support has been provided under a service level agreement by Brighton and Hove Council's Internal Audit Service. The Authority's external auditors, the Audit Commission, review the appropriateness of internal audit arrangements and accordingly place reliance on the work done. The coverage in 2010-11 was wide-ranging. Control weaknesses were identified in some areas, including a limited assurance finding in relation to procurement. However, these were not considered fundamental to the operation of the Authority and the overall audit opinion has been Reasonable Assurance. An audit review of governance arrangements identified some recommendations, all of which were implemented within the financial year.

5.9 The Authority has established an Audit Committee with membership that includes two independent members. This ensures the provision of appropriate skills and experience in the scrutiny of the Authority's arrangements for financial control and risk management, and enhances transparency.

## **6. Standards of Conduct**

6.1 The Authority regards the adoption and maintenance of high standards of ethical conduct as a vital factor in its strategic approach to the fulfilment of national park purposes, by securing and enhancing the confidence of partners and stakeholders in its abilities and effectiveness.

6.2 The Authority adopted a Members' Code of Conduct on 20 April 2010. Training for Members has been provided on the implications of the Code, including the provision of refresher training in December 2010. Following detailed scrutiny by the Standards Committee in February 2011, the Authority also adopted in March 2011 a Local Protocol for Members and Officers Dealing with Planning Matters, a Local Protocol on Member and Officer Relations, and an Officer Code of Conduct. The terms of approval require these documents to be reviewed after one year in operation. Whistle blowing and anti-fraud policies are in place.

6.3 The Authority's Standards Committee has responsibility for assessing and determining allegations of failure to comply with the Members' Code of Conduct. Detailed procedures were agreed by the Committee and relevant training provided for Standards Committee members in November 2010. There have been no allegations of failure to comply with the Code.

6.4 Membership of the Standards Committee includes two independent members, serving as Chair and Vice- Chair. This ensures the provision of appropriate skills and experience in the Authority's arrangements for the maintenance of high ethical standards, and enhances transparency.

6.5 All member meetings of the Authority commence with an item regarding declaration of personal and prejudicial interests, with declarations recorded in the minutes of the meeting. A Register of Members' Interests is maintained, as required by the Local Government Act 2000.

## **7. Significant governance issues**

7.1 No significant governance issues have been identified. As indicated at Paragraph 2.5 above, an action for 2011-12 will be the preparation and adoption by Members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year's annual governance statement by forming agreed criteria against which the effectiveness of the governance framework may be assessed.

7.2 Actions for 2011-12 also include the following:

- training for new members
- training for new permanent employees
- first full budget requiring detailed monitoring
- determine future of support service arrangements
- planning efficiency exercise with Local Planning Authorities
- ensure actions taken following procurement audit become embedded in practice

Signed: Chair

Signed: Chief Executive

Date: 2011