

ANNUAL GOVERNANCE STATEMENT 2011/12

SUMMARY

- 1.1 To present to Committee the draft Annual Governance Statement. This has been produced following the completion of the annual review of the Council's governance arrangements.

RECOMMENDATIONS

- 2.1 To review the draft Annual Governance Statement.

REASONS FOR RECOMMENDATIONS

- 3.1 The Council has to publish an Annual Governance Statement to accompany the annual accounts. Best practice recommends that the body charged with governance is given an opportunity to comment on the draft statement before it approves it.

SUPPORTING INFORMATION

- 4.1 When publishing its annual accounts, the Council is required by regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 to consider and approve an annual governance statement ("AGS") that accompanies the annual accounts. The Statement (at Appendix 2) sets out the Council's responsibilities, the purpose of the governance framework, the governance environment, its effectiveness and any significant areas of weakness identified with proposed actions to address these.
- 4.2 The governance framework is designed to facilitate the achievement of the Council's policies, aims and objectives, identifying and managing any risk to a reasonable level. The governance framework is embedded within the Constitution and the systems, policies procedures and operations in place.
- 4.3 The preparation and publication of the AGS in accordance with the CIPFA/SOLACE "Delivering Good Governance in Local Government" framework is necessary to meet the statutory requirement.

- 4.4 The CIPFA/SOLACE framework sets out the 6 fundamental principles of corporate governance; these are:
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 5. Developing the capacity and capability of members and officers to be effective
 6. Engaging with local people and other stakeholders to ensure robust accountability
- 4.5 The AGS has been structured around the 6 fundamental principles. The statement is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified. The AGS explains the processes and procedures in place to enable the council to carry out its functions effectively. It is a formal statement that recognises, records and publishes an authority's governance arrangements as defined in the framework. The aim of the various elements of the framework is to ensure that:-
- The Council's policies are put into practice;
 - The organisation's values are met;
 - Laws and regulations are complied with;
 - Council processes are adhered to;
 - Financial statements and other published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.
- 4.6 The review of the effectiveness of the governance environment is informed by a number of sources including the work of Internal Audit and the Head of Governance and Assurance's Annual Audit Opinion (see separate report), External Audit and other external review bodies, the Governance Working Group, the Audit and Accounts Committee, the Standards Committee and the Scrutiny Commissions. The AGS is reviewed by Chief Officer Group.
- 4.7 The arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity for the Council to consider the robustness of its governance arrangements.
- 4.8 At the centre of the review process for the governance framework within the Council, there is a corporate working group of officers who contribute to the drafting of the final document, evaluating assurances and the supporting evidence and whether or not there is consistency with existing policies and the authority's "assurance framework".
- 4.9 Assurances on the effectiveness of the governance framework are obtained throughout the year. This allows the Council to take any remedial action necessary at the earliest opportunity.

- 4.10 The Annual Governance Statement will be brought to the September meeting of this Committee for approval and to request that the Leader of the Council and the Chief Executive sign the statement.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer	n/a
Financial officer	n/a
Human Resources officer	n/a
Service Director(s)	n/a
Other(s)	Governance Working Group

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Annual Governance Statement 2011/12

IMPLICATIONS

Financial and Value for Money

1.1 None directly arising

Legal

2.1 As detailed in paragraph 4.1.

Personnel

3.1 None directly arising.

Equalities Impact

4.1 None directly arising.

Health and Safety

5.1 None directly arising.

Environmental Sustainability

6.1 None directly arising.

Asset Management

7.1 None directly arising.

Risk Management

8.1 Sound risk management practices are a key principle of good governance.

Corporate objectives and priorities for change

9.1 None directly arising.

**Derby City Council
Annual Governance Statement - 2011/12**

1. Scope of Responsibility

Derby City 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, the 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.

Derby City 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 our website or can be obtained from the Council's Head of Governance and Assurance. This statement explains how Derby City Council has complied with the code and has been prepared to meet the requirements of regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement ("AGS") that accompanies the annual accounts.

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.

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 designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate their likelihood and impact, and to manage them effectively.

3. The Council's Governance Framework

The governance framework has been reviewed against the six core principles of effective governance. These are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The arrangements for delivering against these 6 principles are fully outlined in our Code of Corporate Governance which was approved by Audit and Accounts Committee in March 2010. The Council has been working to the Code for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Statement of Accounts.

The Council's Constitution, which is updated annually, sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees etc. Decision-making powers not reserved for councillors are delegated to chief officers. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members.

The overall budget and policy framework of the Council is set by the Council and all decisions are made within this framework.

The Scrutiny Commissions scrutinise decisions made by the Cabinet, and those delegated to officers, and reviews services provided by the Council and its partners.

The Derby Plan 2011-26 presents a new vision and set of outcomes for the city. Supporting the Derby Plan is our Council Plan 2011-14, which sets out the key improvements we would like to make and the types of actions that we will take to achieve them. The main way the Council Plan is delivered is through departmental business plans. Each department has to set objectives for a three year period, to underpin our overall outcomes. The departmental objectives and actions inform the Managing Individual Performance meetings.

The Derby Plan, Council Plan and our business plans all reflect the focus on 'outcomes based accountability' so our overall vision and goals are clearer and more meaningful to local people. Progress is measured against quality of life 'indicators' and service 'performance measures'. Performance management is more focused since the introduction of a Council scorecard of priority PIs (monitored using our performance system DORIS) with bi-monthly Chief Officer Group sessions to review comparative information and challenge performance.

Council also has a Confidential reporting Code (Whistleblowing Policy) which encourages staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010). The Strategic Director – Resources has statutory

responsibility for the proper management of the Council's finances and is a key member of the Chief Officer Group.

The Council's Risk Management Handbook which incorporates the Risk Management Strategy ensures proper management of the risks to the achievement of the Council's priorities and helps decision-making. In the Council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) control the risks of fraud or error, and this framework is reviewed by internal audit.

Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved.

The Audit and Accounts Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the Council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

The Council is always looking to improve its governance arrangements. The key developments made in 2011/12 and in 2012/13 prior to the approval of this statement were:

- Improvements around data security
 - Self assessment against LGA's data handling guidelines.
 - Appointment of Strategic Director – Resources as SIRO.
 - Formation of Information Governance Group
 - Briefing to managers on their responsibilities under the Data Protection legislation
 - Use of the staff briefing to reinforce the need to keep personal data secure
 - Increased data protection training

- Launch of the Council Values

Our values will help us to deliver the 'One Derby One Council' approach to the way that we will operate in the future. The values are:

- Being the Best – We create an environment where we constantly strive for better ways of doing things, through creativity, forward thinking and learning.
- Brilliant Customer Service – We put our external and internal customers at the heart of everything we do.

- Can Do – Our positive attitude means that we find ways of achieving excellent outcomes for our customers, partners, stakeholders and colleagues.
- Honesty and Respect – We will behave ethically and with transparency, embracing diversity and treating everyone fairly.

Our values will help us to maintain and improve how we work with each other, our partners and customers and outline what we expect of our leaders and employees at all levels of the organisation.

- Continued enhancements to communication processes with staff with the ability to promote specific governance initiatives via either a weekly all staff e-bulletin, a monthly manager e-bulletin and a monthly face to face manager briefing.
- The Partnership toolkit was approved by Audit and Accounts Committee in 2010 but work has taken place within 2011/12 to update the partnership register and apply the toolkit to high risk partnerships. This has been challenging given the changing landscape of partnerships within the public sector but significant progress has been made in evaluating governance arrangements against the toolkit standards. An action plan was agreed in January 2012.
- A desk-top review of the Council's risk management framework has been carried out by the Council's insurer's Zurich Municipal. The review compared the framework to best practice. The final report made a number of positive statements about the risk management framework in place, and provided recommendations to further enhance it. The Strategic Risk Group has requested that Zurich Municipal review the embedding of the framework and the way it is communicated throughout the Council with the aim of identifying any areas of weakness and recommendations on improvements.
- To increase the awareness of senior managers in respect of managing the risks that can impact on the reputation of the Council, workshops were run in conjunction with the Council's insurer Zurich Municipal.
- The focus of the Governance Working Group has been reviewed.
- A refresh of 2011-14 business plans was carried out to review objectives and performance measures in light of the MTFP and other drivers (such as structural changes, emerging national policies etc). This provided an opportunity for service directors and heads of service to improve their plans, particularly the quality of local performance measures and actions, in support of the Council Plan and ODOC programme. Revised plans were published alongside the updated MTFP in April 2012.
- The new Standards regime under the Localism Act 2011.

Following the re-shaping of the Council in 2010/11, the Governance Working Group has re-assessed the Council's governance framework against the CIPFA/SOLACE guidance. The review is designed to identify further areas for improvement in the governance framework and contribute to the Council becoming an exemplar authority in

terms of its governance arrangements. The work will also inform the current review of the Council's Code of Corporate Governance.

4. Review of Effectiveness

Derby City Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made the external auditors and other review agencies.

The in-year and year-end review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include:

- the Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; raising awareness of corporate policies through targeted workshops; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process
- the Council's internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Head of Audit's opinion on the overall adequacy of the Council's internal control framework, which is reported in his annual report.
- the annual review of the effectiveness of the internal audit function by the Strategic Director - Resources
- external audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports
- the External Auditor's opinion on the Council's financial statements
- external inspection reports.
- the work of the Audit and Accounts Committee, which reviews the outcomes from the annual internal audit plan and the annual opinion report of the Head of Audit
- the work of the Scrutiny Commissions
- the annual review of the constitution
- the work of the Standards Committee, which includes monitoring the operation of the members' Code of Conduct and the Member and Officer Protocol.
- the work of the Governance Working Group and it's sub groups in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement.

5. Significant Governance Issues 2011/12

- Data breaches

In 2011, we were notified of 10 potential data protection breaches. Two were self-notified to the Information Commissioner's Office (ICO) and are currently being investigated by the ICO.

In March 2012, the Chief Officer Group agreed a number of improvements:

- Face-to-face training will be delivered to those teams that are directly processing personal data. This will be followed up by mandatory Information Governance training across whole authority using an e-learning package which is currently being procured.
- EDRMS – electronic document records management system is being implemented initially for those teams returning to the Council House (all others in the following 2 years). This means that all records will ...
 - Have a protectively marking
 - Have a retention schedule attached to it
 - Only be available to those who need access to it restricted by access rights
- The 'Think Privacy' awareness raising campaign is being planned
- A data security review / self assessment is in progress
- New ways of securely sharing personal and sensitive data is being investigated – for example encrypted email
- GCSX accounts and Citrix are being rolled out for employees returning to the Council House
- New mail handling procedures based on protective marking are being implemented in the new Council House
- Use of faxes will be reduced in the new Council House but in the meantime safe haven fax guidelines have been issued.

6. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Paul Bayliss
Leader of the Council

Adam Wilkinson
Chief Executive