

Derby City Council Annual Governance Statement - 2012/13

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. The arrangements for delivering against these 6 principles are fully outlined in our revised Code of Corporate Governance which was approved by Audit and Accounts Committee on 12 December 2012. The Council

has been working to the revised Code for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Statement of Accounts. The assurance framework is shown in the diagram below:

Where do we need assurance?

Delivery of corporate priorities
Service performance and quality
Financial planning and performance
Partnership governance and effectiveness
Project management and delivery
Procurement processes
Management and engagement of our staff
Clarity of roles and responsibilities
Decision making protocols
Leadership effectiveness
Standards of conduct and ethics
Compliance with laws, regulations etc.
Effectiveness of the scrutiny function
Effectiveness of internal control
Management of risks
Training and development of elected members and staff
Community engagement
Openness and transparency

What do we have in place?

Derby Plan
Council Plan
Departmental Business Plans
Council Constitution, democratic arrangements, scheme of delegation for decision making
Audit & Accounts Committee and Standards Committee
Policy framework
Performance Frameworks (service and employee)
Effective financial management e.g. Annual Statement of Accounts, Medium-term Financial Plan, regular reporting of performance
Engagement mechanisms and Complaints processes
Partnership governance framework
Project management methodology
Corporate procurement strategy
Consultation Policy
HR strategy, policies and procedures
Specific job roles for CEO, S151 Officer and Monitoring Officer
Member/officer protocols
Terms and conditions for remuneration
Officer and member codes of conduct
Registers of interest/hospitality
Anti-fraud and corruption policy and whistleblowing arrangements
Financial Procedure Rules & Contract procedure Rules
Staff and member training
Risk management framework
Equalities framework
Core Values
Effective systems, processes and controls

What are our sources of assurance?

External auditor reviews and reports
Internal Audit reviews and reports
Internal audit planning linked to governance framework and risk
External reviews and inspectorate reports
Self-assessments
Peer reviews
Staff surveys
Benchmarking/VFM data
On-going review of governance
Partnership boards
Council's democratic arrangements e.g. scrutiny and 'audit' committees
Customer feedback
Community Engagement through:
Reach-out Consultation Panel
Statutory Surveys
Service User Forums
Diversity Forums
ViA Youth Council
Neighbourhood Boards/Forums
Streetpride Champions
Your City, Your Say

Key Developments to the Governance Framework:

The Council is always looking to improve its governance arrangements. The key developments made in 2012/13 and in 2013/14 prior to the approval of this statement were:

- The return to the Council House has involved many changes in working practices for the teams involved. In adapting the processes employed by each team to carry out their duties, it was important to ensure that controls were maintained. Managers were trained in “new ways of working” to ensure that they had the skills to develop new approaches to “Derby Workstyle”.
- Improvements have been made in the Council’s Information Governance Framework. This sets out the way the Council handles information, in particular, the personal and sensitive data relating to our customers and employees. The framework determines how we collect and store data, and specifies how the data is used and when it can be shared.
 - Training for the Senior Information Risk Owner and Information Asset Owners.
 - Formally documenting the Council’s Information Governance Framework to identify the associated policies and strategies that need to be in place.
 - Establishing an Information Governance Board chaired by the Senior Information Risk Owner.
 - Mandatory data protection e-learning programme to be completed by all staff.
- The 4 Council Values have been enshrined in the Employee Code of Conduct following research and consultation with managers and employees. They are widely publicised and appear on the “In Touch” briefing each week. The VIP (Values in Practice) employee recognition scheme consists of weekly “instant” awards and the Annual awards. Nominations can be made by staff members and by the public. They encourage staff to focus on improving service and behaviours.
- Localism Act 2011 includes a number of provisions intended to give local government new freedoms and flexibility.
- Significant improvements in children’s services as reflected in the Ofsted rating of ‘Good’ for Protection of Children services in January 2013 (one of only four ‘good’ ratings across the country). Better outcomes for children and young people have been driven through an Improvement Board, strong partnership working, robust auditing and performance management.

- In 2012 the Council formally adopted a Consultation policy, which sets out the standards required for all consultation and engagement activity. This standardises consultation and ensure minimum quality standards are maintained.
- In 2012 the Council developed a new and innovative methodology for conducting its annual employee survey comprising both quantitative and qualitative techniques. The methodology has been applied again in 2013 and there has been positive feedback from participants.
- The Communications Division carries out regular snapshot surveys with staff , which are informal and aimed at either providing feedback on specific issues, such as knowledge and understanding of the budget setting process, to testing the reach of our internal communication channels. These surveys are not statistically reliable , but they do enable the Division to 'test the temperature' of the workforce at any given time; specifically those occupational groups harder to reach such as care workers and front line staff at the depot.
- Our communication channels are updated and checked regularly to ensure they remain fit for purpose. We welcome feedback from all staff and the ODOC Communications Board, including representatives from across Council Directorates, continues to act as a critical friend. Recent developments in the past 12 months include a printed A4 bulletin to front line staff with payslips; their feedback being that they are not office based and do not always receive a verbal update from their supervisor/manager to keep them up to date with Council business. The short bulletin has been well received.
- The Audit and Accounts Committee has been enhanced through the implementation of a targeted training plan.
- Re-launch of the Council's website and iDerby.
- Increased use of social media to connect to and engage with customers
- Council's risk management framework has been reviewed by Risk Consultants from the Council's insurer's Zurich Municipal to establish its robustness and how far risk management processes have been embedded.
- The Governance Board has established a suite of key governance documents on the Council's intranet (iDerby).
- Business planning - every department has refreshed their three-year business plan for 2013/14. This includes review of objectives, performance measures, actions and risks. Greater focus has also been placed on workforce development.
- Standards regime

- Clean bill of health on the vfm assessment - the Council was assessed as 'green' for all areas of financial resilience by the External Auditors (for the second successive year).
- A positive Investors in People review.

4. Review of Effectiveness

The Governance Board reviews the effectiveness of the Council's governance framework including the system of internal control on an on-going basis. 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 which informs the Head of Governance and Assurance's Annual Audit opinion and by comments made by 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 Governance and Assurance's Audit Opinion on the overall adequacy of the Council's internal control framework, which is reported in his annual report. The Head of Governance and Assurance complies with the CIPFA Statement on the Role of the Head of Internal audit in Public Service Organisations (2010).
- 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 and correspondence from the Local Government Ombudsman.
- 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 Boards
- 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 Board and its sub boards (Information Governance Board, Risk management group, Anti-Fraud group) in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement.

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 financial management arrangements conform to the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010). This statement sets out 5 principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them. The governance requirements are reflected in the Council's Local Code of Governance.

5. Significant Governance Issues

Previous years

Progress continues to be made on significant governance issues raised in annual governance statements in previous years. Appendix 1 contains an update on progress made.

2012/13

The following governance issues are deemed significant to report within the AGS:

- ICO

In June, the Information Commissioner's Office visited the Council as part of an investigation into a data security breach. Following this investigation the ICO recommended that the Council received an audit of its data protection practices. This was agreed and the audit took place in September. The final report from the ICO was received in November 2012. The overall assessment for the Council is that the arrangements for data protection compliance with regard to governance and controls provide only limited assurance that processes and procedures are in place and are being adhered to. An action plan had been drawn up by the Information Governance Board to address the recommendations made by the ICO. The action plan is a living document which will be amended to take account of new legislation, changes in procedures/processes within the Council and other developments both internal and external that could affect our information governance framework. The plan covers the period to April 2014 and progress on actions is monitored on a regular basis by the Information Governance Board,

- RIPA

On 12 April 2013, the Office of Surveillance Commissioners conducted a comprehensive inspection of the Council's use and governance arrangements for conducting covert surveillance.

The Council was inspected by the Office of Surveillance Commissioners on 12 April 2013. The inspection included an examination of the Central Record of Authorisations. Three authorisations were reviewed (1 from 2011 and 2 from 2012). The examination found that the quality of the authorisations and the application for one, were not of a suitable standard. The inspection also found that not all of the recommendations made at the 2011 Inspection had been fully implemented.

To respond to the recommendations made by the Office of Surveillance Commissioners, an action plan has been drawn up. Actions will include mandatory training for officers in respect of the use of covert surveillance. The Director of Legal & Democratic Services will also provide an annual report to the Audit & Accounts Committee to enable Members to consider the fitness for purpose of the Council's policy and also provide quarterly reports in respect of the Council's usage of covert surveillance.

- Electoral fraud

Following the May 2012 local elections, 6 people have been charged with electoral fraud offences. The charges include personation, misconduct in a public office, attempting to pervert the course of justice and perverting the course of justice. This is the subject of a court hearing.

- Welfare Reform Act

The Welfare Reform Act has impacted on several services across the Council and led to many processes and procedures being reviewed, rewritten or replaced, not least the development of the Local Council Tax Support Scheme which replaces Council Tax benefit and the introduction of the benefits cap and the under-occupancy provisions. Not all of the effects of this Act have come into force, as the change within the benefit system to move to Universal Credit will take several years.

Within the Council a project board was established. The Board assigned individual work packages to the Project Team. The Team consisted of representatives from those services which would be impacted by the Welfare Reform provisions, and ensured a consistency of approach from across the authority. The Project Team reported progress to the Board on

- The local council tax support scheme
- Preparations for universal Credit
- How Supported housing would be affected by Welfare Report
- The development of the Single fraud investigation service
- Data sharing issues
- The impact on Derby Homes and the strengthening of their links with Credit Unions
- Briefings to members, Customers and staff

- The Housing Benefit cap
- The Local assistance scheme
- The under occupancy provisions.

These provisions started to come into effect on 1 April 2013.

An action plan detailing how the Council is working to improve these governance issues is contained in Appendix 2.

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 4. 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

Governance Issues – Update on outstanding issues from previous years:

Governance Issues	Progress made/Comments
Issues from 2010/11	
<p><i>Council Budget</i></p> <p>The Council felt the impact of the Comprehensive Spending Review with central government funding being significantly reduced to all councils. The Council had to find £27 million saving for 2011/12 in a very tight timescale. This was partly achieved through staffing reductions with as much as possible being through voluntary redundancy.</p>	<p>The Council has a three-year budget to 2014/15. We are also working through a number of budget implications following the recently circulated Government proposals for local authority funding from 2013-14.</p>
Issues from 2011/12	
<p><i>Data breaches</i></p> <p>In 2011, we were notified of 10 potential data protection breaches. In 2012, to date, we have been notified of 15 potential breaches. This does not have an impact in achieving the Council's vision. The Council is having an audit from the Information Commissioner's Office in September 2012.</p>	<p>See 2012/13 issues - ICO</p>
<p><i>Risk management</i></p> <p>Following the review by ZM it is clear that risk management is not embedded into all Council processes. To improve the management of risk within the Council, it also needs to be integrated within the Council's performance monitoring process.</p>	<p>A risk management action plan was produced. Improvements highlighted in the 2012 work by ZM have been added.</p>

Action Plan – Significant Governance Issues 2012/13

Action(s)	Responsible Officer	Timescale	Progress to date	Impact and measures
Information Governance				
IG Action Plan in place and monitored by IG Board	Information Governance Manager	Plan to be completed by April 2014	The majority of actions re being completed as per the target date set within the plan. However, a number of the actions are dependent on other actions being completed.	Robust information governance framework in place. Any future ICO audit will provide higher level of assurance.
RIPA				
Covert Surveillance Action Plan and mandatory training	Director of Legal and Democratic Services	Plan to be completed by December 2013.	Training has been sourced. Training for Authorising Officers is scheduled for September 13. Training on managing CHIS is scheduled for December 13.	Successful completion of the mandatory training. Full compliance with OSC recommendations