

**Derby City Council**  
**Annual Governance Statement - 2010/11**

## **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 Audit and Risk Management. 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 Council's Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

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

The governance arrangements have been reviewed against the six core principles of effective governance outlined in our Code of Corporate Governance. Derby City Council has been working to its Code of Corporate Governance for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

## **2.1 Determining the Council's Purpose, its vision for the local area and intended outcomes for the Community**

- The Derby Plan 2011-26 (previously called the Sustainable Community Strategy) presents a new vision and set of outcomes for the city. The 'three wishes' campaign carried out in Summer 2010 was the starting point for the drafting process, along with information gathered from community workshops, forums, face-to-face consultation exercises and local evidence on quality of life. It is a high-level plan that brings together the priorities of key partners from the public, private and voluntary sector. In 2026 all people in Derby will enjoy...
  - A thriving sustainable economy
  - Achieving their learning potential
  - Good health and well-being
  - Being safe and feeling safe
  - A strong community
  - An active cultural life
- Supporting the Derby Plan is our Council Plan 2011-14 (previously called the Corporate Plan). This plan is a key document that sets out what key improvements we would like to make and the types of actions that we will take to make them. For the next three years we will be aiming to improve outcomes for local people and customers in the six priority areas. As a Council we will also be concentrating on achieving...
  - Good-quality services that meet local needs
  - A skilled and motivated workforce.
- The main way the Council Plan will be delivered is through departmental business plans. Each department has to set objectives for the next three years, to underpin our new outcomes. The departmental objectives and actions will inform the Managing Individual Performance meetings.
- The Council has a responsibility to explain and report regularly on its performance and financial position. It does this through the publication of regular performance and financial information, for example, in 'Your Derby' resident magazine.
- The Derby Plan, Council Plan and our business plans all reflect the new focus on 'outcomes based accountability' so our overall vision and goals are clearer and more meaningful to local people. Progress can be measured against quality of life 'indicators' and service 'performance measures'.
- Performance management became more focused in 2010/11 with the introduction of a corporate scorecard of priority PIs (monitored using our performance system DORIS) with bi-monthly Chief Officer Group sessions to review comparative information and challenge performance. This has led to an improvement in performance, with performance against target rising from 61% to 65% in 2010/11 and a greater proportion of top quartile indicators (based on initial results from the PwC benchmarking club).

- The 'one Derby, one Council' transformation programme aims to make the Council more efficient and more effective at serving our customers by ensuring that we work in a more simple, standard and shared way. The governance framework for the programme has been defined and the 'one Derby, one Council' Strategic Board provides strategic leadership and direction to the transformation programme.
- Value for money continues to grow in importance. There is a VFM Strategy in place and VFM is reflected in a number of strands of the One Derby One Council transformation programme. Going forward, there is a need to review organisational activity and priorities around VFM work.
- Promoting equality and diversity remains at the heart of what we do, and we were recently awarded an 'excellent' rating in the "Equality Framework for Local Government" assessment undertaken in March 2011. We also received an award for being one of the top 100 'Stonewall' companies ,

## **2.2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:

- Appointed a Leader of the Council;
- Appointed an Cabinet whose members each have an individual portfolio;
- Statutory officers in place with the skills and resources to fulfil those roles;
- Appointed (on an annual basis) committees to discharge the Council's functions - regulatory and otherwise;
- A published constitution which sets out the rules on how the Council operates and citizens rights and which contains a scheme of delegation of executive and non-executive functions; rules of procedure; financial and contract procedures; codes and protocols governing both members and officers; and a Members Allowances Scheme. The constitution is reviewed annually to ensure it remains fit for purpose, reflects changes in legislation and the Council.

In July 2010, the Council set up a special Governance Committee, comprising the Leaders and Deputy Leaders of each political group, chaired by the Leader of the Council. The Local Government and Public Involvement in Health Act 2007 requires changes to the executive leadership of Councils. This Committee is responsible for agreeing consultation arrangements and overseeing the process leading to final decisions.

Chief Officer Group has overall responsibility for the maintenance of the governance framework across the Council. A Governance Working Group chaired by the Strategic Director - Resources has responsibility for co-ordinating all work to improve governance arrangements within the Council.

## **2.3 Promoting our Values and Upholding High Standards of Conduct and Behaviour**

The Council understands that shared values have a high prominence in well performing public and private sector organisations and are integral to driving the Council's ethos as well as communicating the Council's culture and ambition to its residents, customers and communities.

- Member and Officer behaviour is governed by Codes of Conduct. These include a requirement for declarations of interest to be completed.
- The Council takes fraud, corruption and maladministration very seriously and in 2010/11 reviewed the following policies which aim to prevent or deal with such occurrences:
  - Anti-Fraud and Corruption Policy and Fraud Response Plan
  - Confidential Reporting Code (Whistleblowing Policy)
  - Anti- Money Laundering Policy
  - Disciplinary and Dismissals Policy
- The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. It is responsible for promoting and maintaining high standards of conduct by members of the Council. It has eight members, five of whom are independent co-opted members. The Committee is chaired by an independent member. The standards regime for members is to be scrapped; however, the Governance Committee has initiated a review by the Scrutiny Management Commission in 2011/12 of the Council's political management / ethical framework arrangements in the light of the Localism Bill. The remit of the review includes whether the Council should go back to the committee system of constitutional governance, adopt a voluntary code of conduct and retain a local Standards Committee.
- The Corporate Complaints Procedure enables the Council to receive and investigate any complaint made against it, a Member or an employee.

## **2.4 Taking Informed and Transparent Decisions and Managing Risk**

Derby City Council has adopted the principles of open government. The Council's governance arrangements ensure that:

- Key and major decisions taken by the Cabinet, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
- The decisions of regulatory committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
- Rules and procedures which govern how decisions are made including how appropriate financial, legal and professional advice is provided are regularly reviewed and publicly available;

- Full Council, Cabinet and committee agendas are published in advance and available to the public. Agendas, reports and minutes are made available on the Council's website;
- Key decisions delegated to officers are recorded and, subject to limited exemptions, publicly available; and
- The Council's spending data over £500 is published on the Council's website in accordance with the Government's open data recommendations

## **2.5 Effective Management - Capacity and Capability of Members and Officers**

- The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.
- The one Derby, one Council programme will reduce and reshape the workforce. The People Strategy was introduced in 2010 to cover a 5 year period and was the Council's vision of its workforce for the future. This was a high level aims and commitments document. However, the pace of change and senior management changes in Human resources has resulted in the Council looking to integrate the People strategy into a much wider Organisational Development Strategy.
- The Council has defined a distinct set of competencies that it expects its managers to follow. There are different levels of competency for each level of management within the Council, some are still being developed. These are detailed in 'competency frameworks'. Each framework lists behaviours that are expected within each of the competencies.
- The Managing Individual performance scheme introduced in April 2010 for all staff ensures performance is managed and development needs for each member of staff are identified and met.
- The Council was re-assessed in January 2011 on its Investors in People accreditation.

## **2.6 Engaging with local people and other stakeholders to ensure robust accountability**

The Council has a long history of community engagement and recognises it as being central to the Community Strategy. This is because community engagement is about ensuring that residents can participate in a range of different ways to drive improvements to local services.

- Our planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people. Every year, together with our partners, we carry out many consultation exercises. These surveys and events enable both us and our partners to gauge understanding of our shared vision and priorities for the city. We have adopted a Community Engagement Strategy with the City and Neighbourhood Partnership (formerly Derby City Partnership) to ensure a co-coordinated approach to community engagement across partner organisations.
- Derby Direct is Derby City Council's contact centre providing a single point of contact to the Council. We are committed to providing the highest standards of customer service. These standards have been developed in consultation with our customers and our employees. They reflect their wishes to provide customers with an efficient and courteous service.
- Neighbourhood working in Derby has been set up by public services and local people to create stronger communities that are safer, cleaner, healthier, better informed, friendlier and empowered. In every part of the City, a partnership of services and organisations has come together to create a Neighbourhood Team. Each team reflects the neighbourhood's needs and is committed to working with residents for the benefit of the community. Neighbourhood Teams are made up of a Neighbourhood Co-ordinator, a Neighbourhood Environmental Action Team (NEAT), a Police Community Support Officer, a Community Safety Officer, a Police Neighbourhood Team and a Community Engagement Officer. In addition, there is frequent input from other agencies, such as Derby Homes' Community Watch Patrol, Derbyshire Fire and Rescue Service and Central and Derby City Primary Care Trust.
- To give local citizens a greater say in local decision making, every ward or neighbourhood has a Forum and Board.
- In May 2010, the Council launched Streetpride, a new service aimed at giving communities more control over the appearance of their street and local environment, including some control over how and where money is spent. Streetpride focuses on the customer and makes a positive difference to the way customers interact with us and our street-based services.
- A key area for development within this Principle has been to ensure effective communication mechanisms are in place to enhance the reputation of the Council. We have made improvements to the quality, consistency and effectiveness of internal and external communications. Internally the team briefing cascade system was introduced to increase the effectiveness of messages to staff. The rise of social media is proving to be increasingly influential in providing stories beyond the reach of traditional media. The Communications division is monitoring this using Vocus media management software and reporting issues to COG as appropriate. The most difficult area for the Council is the impact of media coverage on our reputation and our relationship with local media. The way the Council is portrayed by local media has a bearing on the community's perception of the Council. Three stories from 2010/11 demonstrate this:
  - Two serious case reviews were published in 2010/11 leading to a degree of local media interest. One in particular received national media coverage. Neither publication can be deemed to have significantly damaged the Council's reputation.

- The judgement from the High Court on a fostering case was favourable for the Council in that it supported the actions taken. However, this resulted in considerable national and international media coverage focused on the religious aspect.
- A high profile and emotive subject, the closure of a number of school kitchens due to health and safety concerns was criticised in the local press. A lack of support from some schools to proposed changes to school meal preparation means this continues to be covered in the press.

The Communications division is working hard to further develop the relationship and have begun induction sessions with the media for new members of staff. In addition, each Media Officer is assigned to a Directorate to enable a continuous flow of positive news to our local and regional media. This will help to offset any negative media coverage we receive.

- Arrangements for consultation and for gauging local views include the Reach Out panel. Your Derby magazine provides summary information on the Council's vision and priorities and is delivered to every household in Derby 3 times a year.

### **3. 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 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 inspection agencies.

Both in-year and year-end review processes have taken place. In year review mechanisms include:

- the Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- there is a well resourced Scrutiny function which holds the Cabinet to account. The Scrutiny Management Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.
- the Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members including referrals from the standards board.
- the Audit and Accounts Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met 5 times during the year receiving regular reports on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the

management of the City Council who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangement. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Audit and Accounts Committee.

- the External Auditor's Annual Audit and Inspection Letter is considered by the Audit and Accounts Committee, Cabinet and the Chief Officer Group. A number of external audits and inspections have also taken place.
- the Performance and Improvement Team monitor Key Performance Indicators on a quarterly basis and recommend improvements to the performance framework on a regular basis. Performance Surgeries are held to investigate areas of underperformance and review action plans for improvement.
- the work of the Strategic Risk Group to review the effectiveness of the Council's Risk Management Framework, to identify strategic risks and ensure that actions are being taken to effectively manage the Council's highest risks. Work has continued throughout the year to support the embedding of risk management as a core competency across all corporate and operational services.
- the work of the Controls Review Group which reviews control issues within the key financial systems of the Council.

The year end review of the Council's governance arrangements and the control environment included:

- reviewing external inspection reports received by the Council during the year
- the role of the Governance Working Group in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement.
- validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment.
- the opinion of the Head of Audit and Risk Management in his annual report to Audit and Accounts Committee and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- an annual report from the Strategic Director - Resources on the effectiveness of internal audit.
- consulting the Audit and Accounts Committee regarding any potential issues it felt could indicate a problem with the control environment.



#### **4. Significant Governance Issues 2010/11**

Although progress continues to be made to improve areas raised as significant governance issues in previous annual governance statements, there are still issues that continue to impact on the governance of the Council:

- The local elections in May 2010 saw no change to the situation of no one party achieving an outright majority although there was a change in administration where the Liberal Democrat administration was been replaced by a Conservative administration. Following the elections in May 2011, Labour has the highest number of seats, but did not obtain an overall majority. An agreement has been reached between the Conservative Group and the Liberal Democrat Group to form a Conservative led coalition administration.
- The 10 year Derwent New Deal for Communities (NDC) programme was due to end at 31 March 2011. An extension has been granted until September 2011 as difficulties have been encountered in delivering a succession plan. Negotiations have been taking place with stakeholders but agreement has not yet been reached and the assets still remain in the ownership of Derwent Delivers limited. A number of key issues still need to be resolved before the programme can be closed and it is unlikely that the September 2011 deadline will be met. The uncertainty and delay in the closure of the programme, coupled with the failure to deliver a substantial, sustainable legacy for the Derwent Community exposes the Council to potential financial risk (clawback of grant) and ongoing reputational risk

#### **2010/11:**

- 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.
- In February 2011, a combination of human error and insufficient management controls resulted in the Council's monthly payroll not being run on time. Contingency arrangements had to be put into place to enable payments to be made to employees' bank accounts. Following an investigation, the system controls have been improved.
- There have been 5 potential breaches of data protection that the Information Governance Manager has been required to investigate. A further case is currently under investigation and the Council has also received a complaint from the Information Commissioner's office regarding the unlawful disclosure of personal data to third parties. The ICO has stated that it is likely that the Council has complied with the Data protection Act 1998, but we are awaiting formal confirmation of this.
- In February 2011, the Office of Surveillance Commissioners reviewed the Council's management of covert surveillance under the Regulation of Investigatory Powers Act (RIPA) 2000. The review concluded that although there were elements of good practice, 2 recommendations made at the last inspection in 2009 remained outstanding and that a lack of training and quality assurance resulted in a poor standard of documentation. The inspection also identified that the authorisation and

management of covert human intelligence sources (CHIS) was of a poor standard. There is also no current structure to advise elected members of the use of RIPA and the level of covert activity conducted. An action plan has been put in place to address the recommendations made in the review.

- Issues reported to Audit and Accounts Committee:

The Audit and Accounts Committee is the body of members charged with governance. During the year the following significant issues were raised:

- The Committee receives half yearly reports on all non-compliant contracts, together with an explanation as to the reason for it occurring. All contract waivers requested are reported to the Committee for information. The Committee has the option to call in managers to seek further explanations and assurances that the non-compliance issues will be rectified. In 2010/11, two non-compliant contracts were referred to Committee. One of the contracts is currently out to tender and the Committee has asked for updates to outline compliance with procurement procedures to be provided at its meetings.
- The Committee called in managers to request further assurance on the improvements being made to the internal controls around pre-employment checks. Human Resources management outlined the department's progress on recommendations. A system has already been put in place for pre-employment checks on new starters and HR are planning checks on current employees to start in July 2011. This will be completed by March 2012 and Committee will be provided with a quarterly report on the work.
- The audit of risk management highlighted that the control environment required improvement. The audit identified that operational risk registers were omitted from the business plans for 2010/11. All 2011/12 business plans have to include a register detailing the significant risks facing the service and the proposed mitigating actions.
- Regular updates on the Governance Action plan demonstrated that progress was being made in a number of areas, but slippage was occurring in others. The Governance Working Group's key priority for 2011/12 is to drive forward the improvements outlined in the action plan.

- Issues reported to Standards Committee

The Standards Committee considers governance issues as part of its work programme. There were no issues raised that require reporting in this statement.

## **5. 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.

Philip Hickson JP  
Leader of the Council

Adam Wilkinson  
Chief Executive