



# Annual Governance Statement 2020/2021

## What is Governance in Derby City Council?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management
- performance and risk management
- stewardship of public money from Derby council taxpayers
- public engagement and outcomes for our citizens and service users

We approved a new Local Code of Corporate Governance in March 2017. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE.

The overall aim of the Local Code of Corporate Governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources to achieve the desired outcomes for service users and communities

A copy of our Local Code is available on our website at [www.derby.gov.uk](http://www.derby.gov.uk)

This Annual Governance Statement (AGS) for 2020/21 demonstrates how we have complied with our local code and met the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which requires us to prepare an annual governance statement.

## What is the purpose of our Governance Framework?

Our governance framework aims to ensure that in conducting our business, we:

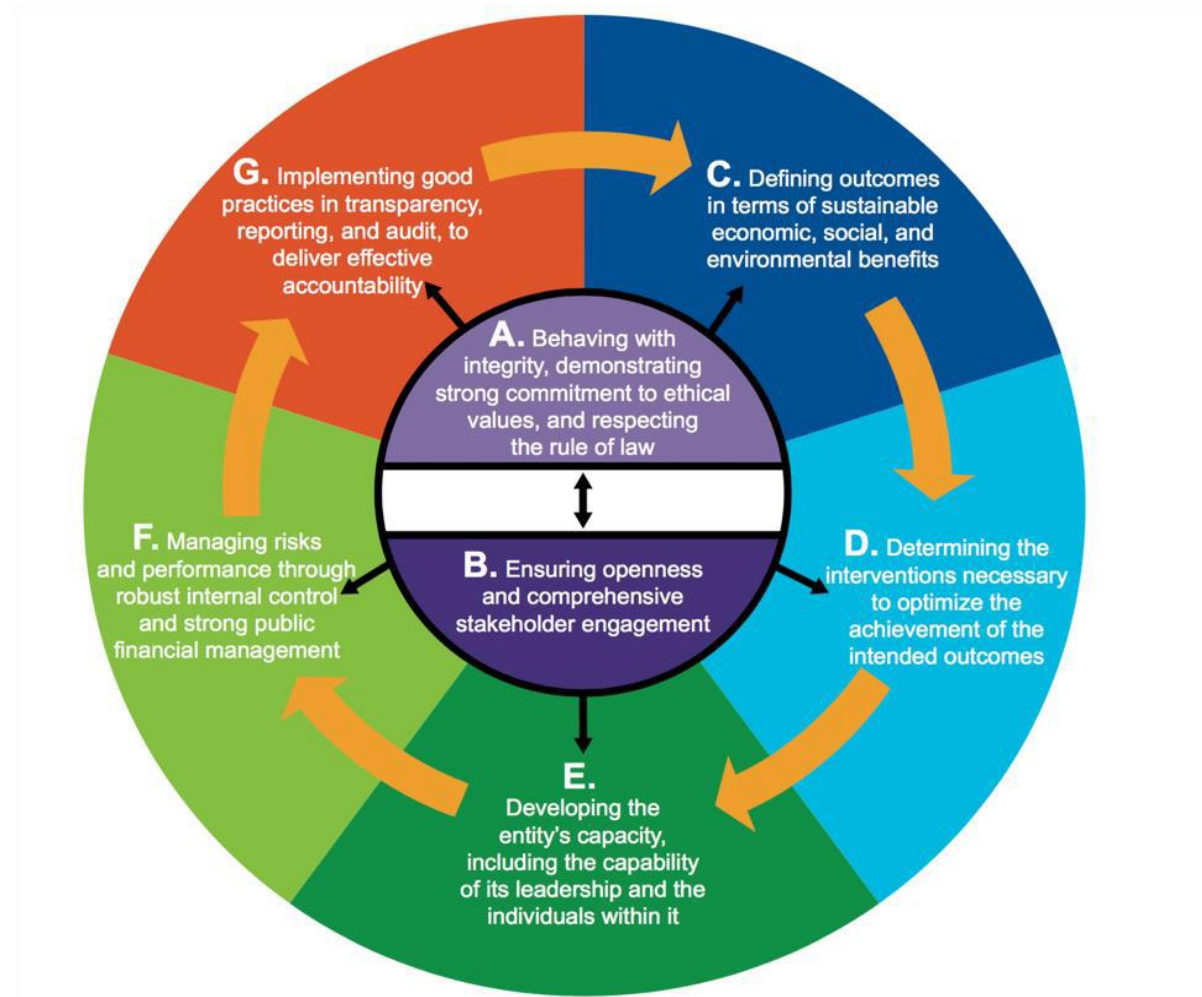
- operate in a lawful, open, inclusive and honest manner
- make sure public money is safeguarded, properly accounted for and spent wisely
- have effective arrangements in place to manage and control risk
- secure continuous improvements in the way we operate

Our governance framework is comprised of the culture, values, systems and processes by which we are directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

Our system of internal control is a significant part of the 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 based on an on-going process designed to identify and prioritise risks, evaluate the likelihood and impact should risks be

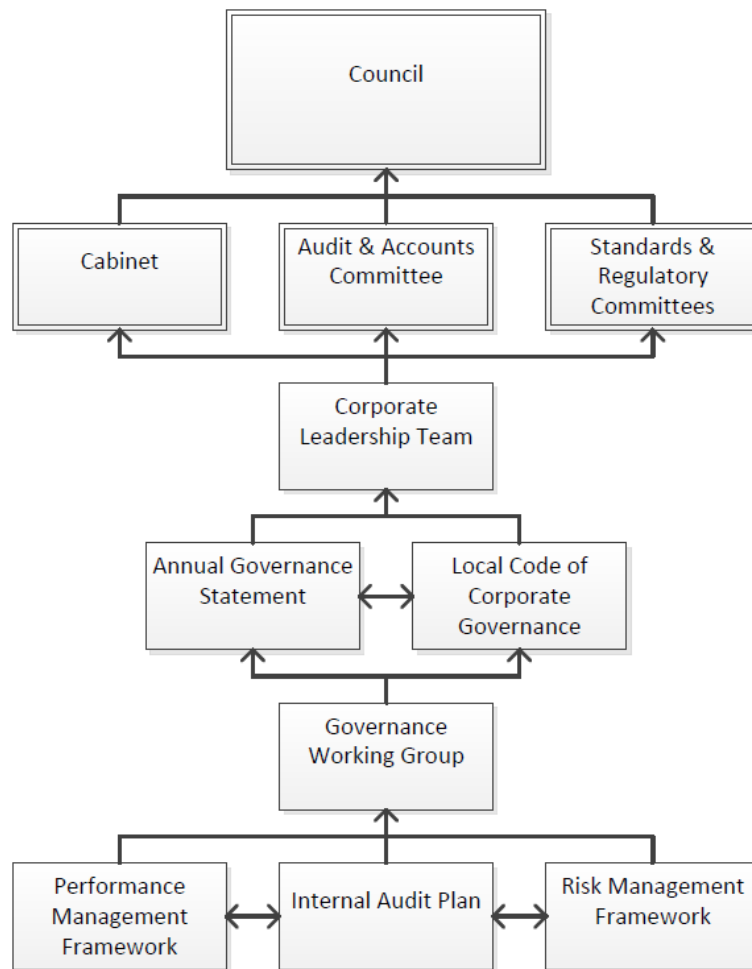
realised, and efficiently, effectively and economically manage such risks.

The "Delivering Good Governance" framework below envisages it will be a continuous process of seven principles with a core of A and B being about the behaviours of integrity demonstrating a strong commitment to ethics and respecting the rule of law with practices being carried out in the spirit of openness and comprehensive stakeholder engagement.



Source: CIPFA/SOLACE

## What is our Governance structure?



The Governance Working Group is undertaken by the Statutory Officers Group

## What is our Governance Framework?



## **What Does Our Governance Assurance Framework look like?**

Good assurance in any organisation provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

Our assurance framework is the structure within which Councillors and Senior Management identify the principal risks to the Council in meeting its key objectives, and through which we map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. Our assurance framework underpins the statements made within this Annual Governance Statement.

Assurance can come from many sources.

- (a) Internal: Self Assurance Statements, Corporate Leadership Team, Internal Audit Reviews, Scrutiny, Audit and Accounts Committee, Service Reviews, Statutory Officers Group
- (b) External: Inspections, External Audit, National Fraud Initiative, Partnerships

## **How has this Annual Governance Statement for 2020/21 been prepared?**

In preparing this Annual Governance Statement we have:

- reviewed our existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance
- assessed the effectiveness of our governance arrangements against the Local Code of Corporate Governance
- reviewed External Assessments
- Self-Assurance Statements from all Directors

## **How do we monitor and evaluate the effectiveness of our Governance arrangements?**

We continue to review the effectiveness of our governance arrangements on an ongoing basis and report on the position annually. The key sources of assurance that inform this review are outlined below:

- work of Councillors (Cabinet and Audit and Accounts Committee) and Senior Officers (Corporate Leadership Team) who have responsibility for good governance
- three Statutory Officers: Head of Paid Service, Section 151 Officer and Monitoring Officer

- Head of Internal Audit's annual report on Internal Audit Activity 2020/21 which provides independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements
- Regular updates to Cabinet, Executive Scrutiny and Audit and Accounts Committee on Risk Management activity for 2020/21
- Performance monitoring of key deliverables in the Council Plan as well as key performance indicators as can be seen in the latest reports to Cabinet: - <https://www.derby.gov.uk/council-and-democracy/budgets-spending-performance/council-performance/>
- Challenge through Overview and Scrutiny (for example topic reviews, performance items and surgeries) as can be seen in the reports to [Executive Scrutiny Board](#)
- Inspections and assessments (such as Ofsted Inspection of Local Authorities Children's Services Framework and Sector Led Improvement activity in Children's and Adults Services)
- Any comments made by our External Auditors in their Value for Money Opinion
- Recommendations and comments made by any other review agencies and inspectorates
- Customer insight through complaints, the media and Freedom of Information requests

## How do we know that our arrangements are working?

The table below details the seven principles of the CIPFA/SOLACE Delivering Good Governance framework and provides an analysis of the effectiveness of how we conform with each element of that framework. It identifies areas where improvements are required which flow through to the action plan at the end of the statement.

Governance Principle	Sub-Principle	Assurance on Compliance
<b>Acting in the public interest requires a commitment to effective arrangements for:</b>		
<b>Principle A</b> <b>Behaving with integrity,</b> <b>demonstrating strong</b> <b>commitment to ethical values,</b> <b>and respecting the rule of law</b>	1. Behaving with integrity	<ul style="list-style-type: none"> <li>➤ The political and managerial leadership sets the tone</li> <li>➤ Through this leadership we ensure that the required policies are put into place and monitored</li> <li>➤ The Employee Code of Conduct forms part of the Council's Constitution and set out the behaviours expected of employees.</li> <li>➤ The Officer/Member Protocol which forms part of the Constitution sets out the way Councillors and Officers should interact</li> <li>➤ Training is provided to Councillors who are involved in several committees including Licensing, Audit &amp; Accounts Committee and Planning. This is undertaken annually after Annual Council and sets down mandatory training requirements</li> <li>➤ The "Members' Code of Conduct" forms part of the Constitution.</li> <li>➤ Standards Committee produces an Annual Report to Council which includes a synopsis of Code of Conduct related complaints received during the Municipal Year in respect of Councillors</li> <li>➤ From the start of the pandemic in early 2020, the Council provided strong local leadership on compliance with COVID-19 regulations; this served to maintain public trust and respect for rule of law. The Council responded well to the initial and continued challenges of the pandemic and lockdown and feedback from community, voluntary groups and partners has confirmed how the Council's core values have been clearly evident in the cohesive response to support the local community across the wide range of activity This has helped to strengthen the Council's standing and reputation as the Community Leader</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>➤ In accordance with the Localism Act 2011 we have adopted a “Members’ Code of Conduct” for our Councillors that is in keeping with the general principles of public life. All Councillors and co-opted Members undertake that they will observe the “Code of Conduct”</li> <li>➤ Training on the ethical standards framework is provided to all Councillors and training is provided on an annual basis immediately following the local elections which are by way of thirds with one fallow year</li> <li>➤ The Standards Committee monitors and reviews the “Councillors Code of Conduct” and prepares an annual statement to Full Council</li> <li>➤ The “Employee Code of Conduct” provides guidance to our employees on the ethical framework within which we seek to conduct its activities and on the processes that the Council uses to ensure compliance with the highest ethical standards. The Ethics Statement reflects similar principles to the Nolan Principles which form the basis of the “Members’ Code of Conduct”</li> </ul>
	3. Respecting the rule of law	<ul style="list-style-type: none"> <li>➤ “Codes of Conduct” set out the standards of behaviour that are expected of our Councillors and Officers. Should these standards be breached they will be dealt with, either through the “Members’ Code of Conduct” complaints process or, in relation to Officers, action taken under our capability and/or disciplinary procedures</li> <li>➤ The Whistleblowing Policy adopted by the Council ensures its effectiveness from a safeguarding perspective and to make it easier for staff to raise concerns about malpractice or illegal activity. The Policy contains clear guidance about how to report a concern, who to contact and sources of internal and external support</li> <li>➤ The Whistleblowing Policy is complemented by the Anti-Fraud and Corruption Policy, the Anti-Bribery Policy and the Anti-Money laundering Policy. These are being refreshed in 2021/22</li> </ul>
<b>Principle B</b> <b>Ensuring openness and</b>	1. Openness	<ul style="list-style-type: none"> <li>➤ We are committed to openness and publish information online in accordance with the provisions of the Local Government Transparency Code and the</li> </ul>



Governance Principle	Sub-Principle	Assurance on Compliance
<b>comprehensive stakeholder engagement.</b>		<p>Freedom of Information Publication Scheme</p> <ul style="list-style-type: none"> <li>➤ We have procedures in place which allow, within certain parameters, the recording and filming of Council meetings</li> <li>➤ Only a minimal number of reports are considered in closed session (known as Part II) and for the majority of these reports there is a public facing report (known as Part I) which sets out the matter to be decided upon, but without the information that is exempt from publication</li> <li>➤ The Council's COVID-19 response engaged a wide range of statutory and non-statutory stakeholders. This allowed a comprehensive and multi-party response to the needs of the City and our response</li> <li>➤ The Council has developed partnerships and engagement in response to City Wide Challenges, for example, economic recovery, SEND written statement of action</li> </ul>
	2. Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>➤ We engage with large numbers of stakeholders. We have a comprehensive engagement system with statutory stakeholders such as the NHS, CCG, Derbyshire Constabulary and Derbyshire Fire and Rescue Service. We have further subject based stakeholder forums</li> <li>➤ Through the COVID-19 pandemic, the Council has worked effectively with and across the public/private sector responding to and shaping the City's response and recovery</li> </ul>
	3. Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>➤ Local focus and community engagement is successfully promoted through Neighbourhood Meetings or engagement with communities by the 3 ward councillors including social media, community meetings etc.. During COVID-19 the Council have utilised Community Action Derby to assist in community engagement and unlocking the power and contribution of community wealth</li> <li>➤ Public consultation is undertaken on specific areas of service, or on matters that may have a substantive impact on residents, facilitated by our Consultation Team. The Communications and Marketing Team ensure that specific matters are placed in the media and engage with the media over</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		enquiries on specific matters
<b>In addition to the overarching requirements for acting in the public interest found in principles A and B, achieving good governance also requires a commitment to, and effective arrangements for:</b>		
<b>Principle C</b> <b>Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b>	1. Defining outcomes	<ul style="list-style-type: none"> <li>➤ The “Derby Plan 2030: A safe, strong and ambitious city” brings together the key partners across the city</li> <li>➤ Delivery of partnership priorities through partnership boards and strategies (for example Health and Well-being strategy, Children and Young People’s Plan)</li> <li>➤ The Council Plan 2019-2023 describes our priorities, resources and how we will monitor progress, with our annual Council Delivery Plan making sure that we are focused on current priorities</li> <li>➤ The Council issued a COVID-19 Recovery Plan in Autumn 2020 which set down a series of shorter-term actions to respond to the challenge of COVID-19 and building back stronger as a City</li> <li>➤ Production of an annual report to publicise and provide evidence to the local community on its achievements and progress made in delivering its Council Plan priorities and demonstrating value for money</li> <li>➤ Pre-decision scrutiny through the Executive Scrutiny Board (ESB) means that recommendations from ESB are received at every meeting of Cabinet to ensure greater degrees of effectiveness and challenge to the Cabinet’s decision making</li> <li>➤ A Medium-Term Financial Plan (MTFP) with a focus on the next financial year (linked to the spending review) which aligns available resources to the activities of the Council and setting out the financial plans for the future</li> </ul>
	2. Sustainable economic, social and	<ul style="list-style-type: none"> <li>➤ Business plans have been agreed which include clear objectives, measures and risks that are actively managed during the year and inform the setting of individual objectives</li> <li>➤ The reporting format has been developed during the year, including</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	environmental benefits	additional assessment of climate change implications
<b>Principle D</b> <b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>	1. Determining interventions	<ul style="list-style-type: none"> <li>➤ Corporate Performance Board is undertaken as part of the Corporate Leadership Team</li> <li>➤ Review and challenge through directorate leadership team (DLTs) led Improvement Boards in key areas and 'Mocksted' reviews where appropriate</li> <li>➤ Creation of cross Council performance groups (e.g. Demand Management Groups)</li> <li>➤ Performance Management Board (PMO) chaired by the Strategic Director of Corporate Resources</li> <li>➤ Quality Assurance - examples of good practice exist at service level e.g. Children's Services</li> <li>➤ Regular challenge from inspectorates such as Ofsted and Care Quality Commission (CQC). Annual Conversations with Ofsted make sure that progress of our services is tracked and challenged in between inspections</li> <li>➤ Sector Led Improvement (SLI) challenge from regional peers in Children's and Adults' services</li> <li>➤ Active Executive Scrutiny performance forward plan focused on Council Scorecard / Council Plan / Recovery Plan outcomes</li> <li>➤ Performance and Risk Surgeries are held to evidence challenge and drive improvements</li> <li>➤ Data Strategy Review was commissioned in 2020/21 to inform the Council's 'Intelligent Council Approach' which has now formed part of the Working Smarter Programme</li> <li>➤ The Council is focusing its transformation interventions around 4 partnership themes of Vibrant Derby, Growth Derby, Green Derby, Resilient Derby alongside 3 enabling programmes of Working Smarter, Better Together and Team Derby</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	2. Planning interventions	<ul style="list-style-type: none"> <li>➤ Performance, audit, risk and finance information is used to identify areas of concern and plan required interventions</li> <li>➤ There is an annual cycle of meetings that are planned through the municipal year, but internal procedures are flexible for Councillors to intervene, such as via call in or the calling of extraordinary meetings, at any point in the year</li> </ul>
	3. Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>➤ Outcomes are monitored on a regular basis and open to scrutiny. Matters which are formally project managed are required to be reported upon to the project teams at regular intervals. The performance framework ensures capacity is considered in balancing priorities against affordability and social value</li> <li>➤ Service planning and objectives within the Managing Individual Performance system respectively set the objectives for the year for services and individual members of staff and the outcomes of these are reviewed regularly</li> <li>➤ A Corporate Project Management Framework is in place alongside a corporate PMO Board</li> <li>➤ Corporate City Centre Major Projects Board to oversee major capital projects and seek assurances from project teams and advisors</li> <li>➤ A Gateway process for project decision making was launched in March 2019, managed through the PMO Board. This Assurance Board has strengthened the approval of business cases, delivery plans and lessons learnt from projects. The embedding of Corporate processes is now supported by a new SharePoint platform to further strengthen governance</li> <li>➤ Our Corporate Leadership Team has strategic oversight of major issues affecting the Council with a tightly managed forward plan</li> </ul>
<b>Principle E</b> <b>Developing its capacity, including the capability of its leadership and the individuals within it.</b>	1. Developing the entity's capacity	<ul style="list-style-type: none"> <li>➤ The Head of Paid Service is responsible for the organisation of the staff</li> <li>➤ Leadership and Management is delivered through Corporate Leadership Team (meeting once a week) and Director's network (meeting at least monthly)</li> <li>➤ We use a Performance Management system (Great Performance</li> </ul>

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		Conversations) which comprises of the development of objectives and personal development plan through which every member of staff has a clear direction for the year against which they are appraised. This identifies strategic and operational objectives, alongside the role profiles for each post and for development capacity. The process also involves appraisal by way of regular reviews of performance of those objectives including formal mid-year and end of year reviews.
	2. Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>➤ We have a programme of training available for both Councillors and Officers (at all levels)</li> <li>➤ All new starters are required to undertake an induction programme</li> <li>➤ There is mandatory training for all staff on key policies via the e-Learning system</li> <li>➤ Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies</li> </ul>
<b>Principle F</b> <b>Managing risks and performance through robust internal control and strong public financial management.</b>	1. Managing risk	<ul style="list-style-type: none"> <li>➤ Our Risk Management Policy, Strategy and Handbook was reviewed and updated. Considerable work has taken place during the year to embed the framework more consistently across the organisation</li> <li>➤ Risk management training has been rolled out to managers, senior officers, Cabinet and Audit &amp; Accounts Committee members</li> <li>➤ A Corporate Risk Management Group has been established, chaired by the Director of Legal, Procurement and Democratic Services , with Risk Champions identified in all directorates</li> <li>➤ Risks are regularly monitored on a corporate, departmental and service basis</li> <li>➤ The Audit Plan transitioned into a rolling programme rather than an annual programme to respond to emerging risks and to focus on COVID-19 and post Coronavirus impacts</li> <li>➤ Audit &amp; Accounts Committee receive quarterly monitoring reports on the strategic risk register and can commission risk surgeries to explore key risks</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<p>in more detail</p> <ul style="list-style-type: none"> <li>➤ For the first part of 2020/21 the Council enacted its emergency powers contained within the constitution to allow agile decision making. This was exercised by the Strategic Director of Communities and Place and supported by COVID-19 operational and strategic boards</li> </ul>
	2. Managing performance	<ul style="list-style-type: none"> <li>➤ Principal performance targets are captured within our Performance management system (DORIS) and are subject to review (including Council Delivery Plan, Council Scorecard and Departmental business plans)</li> <li>➤ Individual projects have their own targets and performance reviews set within them and are reported via the projects teams as required. Projects are tracked through the Programme Management Office (PMO) Corporate Dashboard and reported to PMO Board</li> <li>➤ Performance management is reported on a quarterly basis to the Cabinet, the Corporate Leadership Team and Executive Scrutiny Board</li> </ul>
	3. Robust internal control	<ul style="list-style-type: none"> <li>➤ Preventative procedures are in place which include the segregation of duties, approval/authorisation process, security of assets and regular reconciliations</li> <li>➤ Assurance is gained through regular internal audits and reporting</li> <li>➤ Our Internal Audit Service has received an independent external review which ensured the service conforms with the Public Sector Internal Audit Standards (PSIAS)</li> </ul>
	4. Managing data	<ul style="list-style-type: none"> <li>➤ We have in place a suite of Information Governance Policies and Procedures that are monitored by the Information Governance Team</li> <li>➤ We have senior officers who fulfil the roles of the Senior Information Risk Owner and the Caldicott Guardian</li> <li>➤ All officers and Councillors are required to undertake mandatory e-Learning training on information governance</li> <li>➤ The importance of reporting breaches of Data Protection legislation is well publicised</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	5. Strong public financial management	<ul style="list-style-type: none"> <li>➤ We have a budget setting process with the Budget and Medium-Term Financial Plan decided annually by Council</li> <li>➤ The Finance Strategy sets the overall direction for how we will fund our activities and invest in the future</li> <li>➤ We have in place a statutory Section 151 Officer with finance teams that support the budget holders</li> <li>➤ Financial Procedure Rules and Contract Procedure Rules are in place and regularly updated</li> <li>➤ An assessment against the CIPFA Financial Management Code was undertaken internally. This provided adequate assurance in respect of the Council's Financial Management arrangements. However, financial resilience is impacted upon by the Council having relatively low levels of reserve</li> </ul>
<b>Principle G</b> <b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</b>	1. Implementing good practice in transparency	<ul style="list-style-type: none"> <li>➤ Agendas for all Council meetings are publicly available on website</li> <li>➤ We comply with the local Government Transparency Code 2015, publishing required information at <a href="https://www.derby.gov.uk/council-and-democracy/open-data-and-freedom-of-information/open-data-transparency/">https://www.derby.gov.uk/council-and-democracy/open-data-and-freedom-of-information/open-data-transparency/</a></li> <li>➤ We comply with The Openness of Local Government Bodies Regulations 2014</li> <li>➤ We have a Whistleblowing Policy in place</li> </ul>
	2. Implementing good practices in reporting	<ul style="list-style-type: none"> <li>➤ We have in place comprehensive procedures for the making of decisions, either by Full Council, Committee, Cabinet or individual decisions made by Directors and Cabinet Members</li> <li>➤ All reports are taken through Democratic Services and require clearance by legal and finance as a minimum</li> <li>➤ Reports for Council, Committees and Cabinet business and minutes of these meetings are available on our website, save for reports which contain information that is exempt from publication</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	3. Assurance and effective accountability	<ul style="list-style-type: none"> <li>➤ The Constitution sets out the executive arrangements and the roles and responsibilities of the Leader of the Cabinet, the Cabinet and each of the Cabinet Members individually and the roles and responsibilities of other Council Members</li> <li>➤ The Constitution sets out the functions of Council, Cabinet and the various committees</li> <li>➤ We have an effective Scrutiny function with a number of Scrutiny Committees whose responsibilities are also set out in the Constitution</li> <li>➤ The principal roles and responsibilities of the Chief Executive and senior officers, including the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer, are also set out in the Constitution</li> </ul>



## **What specific assurances do we receive?**

Whilst a number of assurances have been obtained to support this conclusion, it is important that we consider the following specific assurances to support this statement:

### **1. Chief Financial Officer (Section 151 Officer)**

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that our arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns to report.

### **2. Monitoring Officer**

The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report.

### **3. Head of Internal Audit**

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Chief Audit Executive (DCC's Head of Internal Audit) provides an opinion on the overall adequacy and effectiveness of our risk management, internal control, counter fraud and governance processes.

The Chief Audit Executive is satisfied that sufficient work has been undertaken to allow him to draw a reasonable conclusion on the adequacy and effectiveness of our arrangements. Based on the work performed during 2020/21 and other sources of assurance, the Chief Audit Executive has provided the following opinion on our risk management, internal control, counter fraud and governance processes, in operation during the year to 31 March 2021:

"The Head of Internal Audit's opinion for 2020/21 is that there is an "Adequate System of Governance, Risk and Internal Control Subject to Reservations "

This opinion reflects the level of risk areas and weaknesses found by internal audit and the number of audits that have resulted in assurance ratings of either "limited" (9 of the 51 audits completed) or "none" (one audits). However, the number of recommendations made

to address significant risks (8) was much lower than in previous years. It also reflects the varying levels of assurance that the Head of Internal Audit has assessed from other sources – particularly in respect of referrals of fraud/financial irregularities and the Council's management of fraud risk, data breaches, project management, and issues raised in whistleblowing referrals (around processes and adherence to policy).

Full details on the assurance provided by the Chief Audit Executive are detailed within the Internal Audit Annual Report for 2020/21 considered by the Audit and Governance Committee on 16<sup>th</sup> June 2021.

Under the Public Sector Internal Audit Standards (the Standards), we are required to undertake a review of the effectiveness of our Internal Audit function and to report the results in the Annual Governance Statement. An independent assessment against the Public Sector Internal Audit Standards must be carried out every five years. The last independent assessment was undertaken in September 2017 when it was identified that our internal audit service was conformant with the Standards and the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in Local government (CIPFA publication).

#### **4. External Audit**

The latest External Auditors Annual Letter from the Council's appointed External Auditors, Ernst and Young for the financial year 2019/20 was issued in May 2021. This delay was due to change in key External Audit personnel in January 2021 and significant delays in External Audit receiving pension assurances from the Auditors of Derbyshire Pension Fund. The Auditor issued unqualified opinions on the financial statements and Value for Money Arrangements of the Council. These confirm that the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year included the following headlines and that the Council has proper arrangements for securing financial resilience, economy, efficiency and effectiveness qualified with an 'except-for' conclusion with respect to your arrangements over working with third parties effectively to deliver strategic priorities in relation to implementing the disability and special educational needs (SEND) reforms. This assessment is at the 31<sup>st</sup> March 2020 as the Council's response to the Written Statement of Action on SEND was being embedded. An assessment at the end of 2020/21 has found that this area has been adequately implemented during 2020/21

#### **5. SIRO and Data Protection**

The Director of Digital and Customer Services is the Council's Senior Information Records Officer (SIRO) and the Information Governance Team are responsible for data protection, FOIs, Subject Access Requests etc. There were 214 Information Security Breaches reported to the IG Team in 2020/21 of which 12 were reportable breaches to the Information Commissioners Office. The most common breach was in respect of information being emailed to the wrong individual.

There is a robust Information Governance Board in place chaired by the Director of Digital and Customer Services.

The Council received positive assurances in respect of RIPA and has a series of refresher courses in respect of GDPR and Cyber Security.

Investment was made in the Council's ICT infrastructure to strengthen against Cyber-attacks, improve disaster recovery arrangements and record retention.

## **6. Project Management Officer (PMO) and Corporate Risk Group**

The Council continued to embed the Project Management Office arrangements and gateway reviews. This has been successful in ensuring project management arrangements are in place for key projects and that gateway reviews take place at the appropriate points. In particular, new schemes are being assessed and assurances sought before the project moves to delivery stage. Significant steps have been taken in respect of project documentation and targeted support from the PMO Office, building skills and supporting the timely process of gateway reviews.

During 2020/21 the Corporate Risk Management Group continued to be effectively chaired by the Director of Legal, Procurement and Democratic Services (Monitoring Officer). During 2020/21 due to COVID-19 there was a reduction in requests for risk surgeries. Member oversight is provided through the Scrutiny and Cabinet processes and the portfolio holder sitting on the Corporate Risk Management Group. Director Assurance Statements provided as part of the AGS preparation demonstrate increased embedding of robust risk registers into projects and directorate reporting.

## **7. Senior Management Assurance Statements**

Senior Management Assurance Statements were produced by all Directors for the financial year 2020/21. Against 14 Assurance Statements the Directors' self-assessed compliance and detailed the basis of Assurance and the frequency of testing and review. Most of these statements/assurances evidenced full compliance with the principles of good governance. There were no significant governance breaches or weaknesses identified through this self-assessment. Areas for development are detailed at the end of this statement

## **What were the key governance issues in 2020/21?**

The key governance issues to be reported are:

### **Financial Resilience**

The Council invested in services as part of the COVID-19 pandemic ahead of certainty over levels of Government support. During 2020/21 there was an increase in demand for statutory services (especially children's social care) alongside targeted investment in ensuring the City and its residents were supported. Alongside this was a reduction in traded services income levels due to lockdown.

In setting its budget for 2020/21 the Council provided for an increase in service demand and a transitional impact of income levels recovering. However, early forecasts from Quarter 1 indicate the need (without further mitigations) for a drawdown on reserves. Given, the Council's historically low level of reserves this needs to be actively managed during 2021/22 to support future financial resilience. An assessment against the CIPFA Financial Management Model concludes this is an area of relatively low resilience at the current time.

### **COVID-19 Recovery**

The full impact of the Coronavirus pandemic on the City is still unclear. Previous models of forecasting need and response have fundamentally changed post COVID-19, leading to increased uncertainty and for a number of areas concerns over the market sufficiency of providers to continue to deliver services and at what cost. In addition, the UK exit from the European Union continues to be assessed as to future risks and opportunities.

### **Fraud Risk Assessments**

During 2020/21 the Council was required to passport significant funds to businesses as well as work with providers to reshape services. These changes, at pace has potential fraud risks, though the Director self-assessment indicates these were adequately mitigated against. This will be a focus area of Internal audit and the PMO Office during 2021/22

### **Long Term Waste Management Contract**

The Council (along with the County Council) continued in 2020/21 to preserve and assess the Waste Treatment Plant at Sinfyn to establish the cost of remediation, future operation and Estimate Fair Value. This work continued throughout 2020/21 with the support of professional advisors. To date, it has not been possible to settle on an Estimated Fair Value with the funders. Discussions and negotiations are expected to continue through 2021/22.

### **Inspections**

An Ofsted and CQC Local Area SEND inspection that took place in June 2019. Findings of the Inspection were published in August 2019 and identified areas of strength and areas of weakness. In response the Council was required to produce a Local Area Written Statement of Action (WSOA) has been developed by speaking to, and working with, parents and carers to ensure children, young people and their families are at the heart of everything we do to secure the best possible outcomes, reach their potential and thrive into adulthood. This used a range of engagement and feedback events with parents, carers, front line staff and all partners to discuss areas that need improvement and actions to improve our Local Area SEND arrangements. There have been significant improvements within the SEND system during 2020/21. External support has been commissioned to identify outcome-based solutions for managing demands on the high needs block.

## Response to the Coronavirus Pandemic

This Annual Governance Statement has been prepared as the Council continues to respond to the impact of the Coronavirus outbreak on our services, service users, workforce and city. This has seen the Council operating in different ways to deliver some services, provide new services in response to Government and the public need, and to suspend the operation of others at certain times.

The Council acknowledges that the Coronavirus pandemic has had an impact throughout 2020-21 in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. This has included arrangements to support decision making, managing risk, maintaining internal controls and robust financial management. In particular, the Council managed through agile strategic and tactical groups. The Council has assessed the impact of COVID-19 on its arrangements as part of the work undertaken to prepare the Annual Governance Statement. This has concluded that taken as a whole, our arrangements have continued to be effective in delivering against the principles of good governance as outlined in the Local Code of Governance. Examples of this effectiveness include:

- The financial outturn position for 2020/21 reflects a better than balanced position including taking account of the costs and grant funding relating to COVID-19
- Providing access to public meetings through webcast facilities, which also enables meetings to be viewed after the event
- Effective delivery of elections in May 2021
- Implementing several initiatives to maintain the health and wellbeing of the workforce
- Working with Partners and Community Group as part of our 'Team Derby' approach, for example, development of the Community Hub

Notwithstanding this, the Council recognises that currently we are not in a position to fully understand all longer-term impacts of COVID-19 on the Council's priorities and achievement of sustainable outcomes and will need to ensure that this remains a key area of focus during the forthcoming year.

The Council continues to operate within the framework of our Business Continuity Plans which have been developed. Health and Social Care services and regulatory services have been prioritised and other support services are being delivered at a reduced level or their resources have been redeployed to support our critical services.

The Council's response to the Coronavirus outbreak is being managed within the Council through a Strategic Co-ordination Group (SCG) and a COVID-19 Programme Board. Specific advice pages have been set up on our webpages which provides support for our citizens and businesses, providing the latest government advice and available support.

As part of the planned recovery of the City and the Council several Partnerships have been set up including a revised Partnership Board, Economic Recovery Group and Community

Recovery Group. These groups involve a wide range of partners and have already had success in securing resources and building on new service delivery models and partnerships from the City-wide response to the pandemic.

The Council responds to the plethora of Government guidance and continually assesses the impact of these changes on our governance arrangements and makes amendment as appropriate. The impact of all these changes may not be fully known at this time and will continue to be monitored. The AGS will be monitored regularly through the Statutory Officers Group to reflect changes in the assurance model and the adequacy of the governance and internal control arrangements put in place during this period and to assess any impact upon the internal control environment.

The response to the pandemic has a major impact on the financial resilience and sustainability nationwide. During 2020/21 the Government provided both ringfenced and un-ringfenced grants to support the provision of services – this allowed the Council to balance its budget in 2020/21 and carry-forward a small reserve into 2021/22. However, the Council has identified that the ongoing impact of COVID-19 continues with material financial impacts in respect of meeting statutory requirements and recovery of income levels. Mitigations are in place in 2021/22 to try and reduce this pressure alongside national lobbying for additional funds. This is monitored and refreshed regularly and is a priority identified for the 2020/21 financial year

In compiling the AGS, each Director was asked to confirm whether there had been any significant issues about the implementation of legislation and guidance relating to COVID-19, as well as the provision of grants to the vulnerable residents and businesses. Several areas of partial assurance were identified due to the speed of implementing changes to changed guidance.

## Progress on Improvement Areas Arising from previous Annual Governance Statements

There were several governance issues raised in the 2019/20 Annual Governance Statement:

Areas Identified for Improvement	Actions Implemented
Update the Council Plan to reflect changes in priorities because of the Coronavirus crisis. Produce Recovery Plans for the City and Council	The Council approved the Derby Recovery Plan in February 2021. A refreshed Council Plan was not undertaken but remains an overarching plan supported by the recovery plan
Refresh the Medium-Term Financial Strategy linked to revised Council priorities and need for financial sustainability in the short to medium term	The Council agreed a 2021/22 Budget without recurrent use of reserves in February 2021. Continued use of one-off spending reviews and one-off funding makes future financial planning uncertain. Funding Gaps were identified for 2022/23 and 2023/24 within the MTFP that are

	being considered as part of future budget rounds
Implement SEND written statement of Action Plan to improve outcomes for young people	The Action Plan has been implemented and further developed in 2020/21 with active engagement from system leaders. External support has been secured in respect of the planning and commissioning of sustainable SEND outcomes in the future
Review Corporate Capacity/Caseloads in Statutory Services (e.g. children's services) and review project management capacity to better focus on outcomes	Additional support has been secured in respect of statutory services, for example Environmental Services and Social Care. However increased caseloads and in regulatory services backlogs (e.g. food inspections) continues to be of concern especially in respect of being able to secure the services of suitably qualified staff
Strengthen Cyber-security, Disaster Recovery and Business Continuity Arrangements	Further Investment in our Cyber-Security infrastructure was made in 2020/21 as reflected in our PSN assessment. The Council continues to implement statutory training in cyber security and GDPR

## What are our key governance development priorities for 2021/22?

The impact of the COVID 19 pandemic has fundamentally reshaped the role, functions and sustainability of Local Government. The key governance priorities for 2020/21 are:-

<b>2021/22 Recommendation</b>	<b>Responsible Officer and Target Implementation Date</b>
<p>Ensuring the sustainable delivery of the Council's vision and Corporate Objectives within a sustainable financial plan</p> <ul style="list-style-type: none"> <li>• Use predictive analytics to manage demand</li> <li>• Model financial scenarios</li> <li>• Implement and embed Partnership Working, Enabling Transformation Programme</li> </ul>	<p>Strategic Director of Corporate Resources Director of Financial Services All Directors</p> <p>Timetable:</p> <p>Continuous monitoring of the budget</p> <p>MTFS adopted by Council in February 2022</p>
<p>Manage Increased Demand for Council Services</p> <ul style="list-style-type: none"> <li>• Understand demand, dependency</li> </ul>	<p>Strategic Directors All Directors</p> <p>Timetable: Ongoing</p>

<p>especially for statutory services, e.g. social care, homelessness</p> <ul style="list-style-type: none"> <li>Investigate opportunities regarding market provision/sufficiency to reduce reliance on external provision</li> </ul>	
<p>Strengthen Council Contract Management Framework</p> <ul style="list-style-type: none"> <li>Implement revised corporate tools and reporting to support improved contract management and review</li> <li>Provide revised toolkit for contract negotiation</li> </ul>	<p>Director of Legal, Democratic and Procurement All Directors</p> <p>Timetable: Ongoing</p>
<p>Embed the new Partnership Framework for planning and delivering services in the future</p> <p>Implement Partnership, Programme and Portfolio Management Approach</p>	<p>Chief Executive Director of Policy, Insight and Communication All Directors</p> <p>Timetable: February 2022</p>
<p>Project Management Governance</p> <ul style="list-style-type: none"> <li>Implement SharePoint solution for Programme Governance</li> <li>Train and embed new project governance across all Senior Responsible Officers and Project Managers</li> </ul>	<p>Strategic Directors Director of Policy Insight and Communication Director of Communities and Place</p> <p>Timetable: December 2021</p>
<p>Financial Management and compliance with the Financial Management code</p> <ul style="list-style-type: none"> <li>Produce updated MTFP</li> <li>Undertake specific training and interventions on areas identified for improvement in initial self - assessment</li> <li>Link Financial information to Outcome planning to strengthen VFM</li> </ul>	<p>Strategic Director of Corporate Resources Director of Financial Services Director of Policy, Insight and Communication</p> <p>Timetable:</p> <p>MTFP by February 2022 Follow up review of Financial Management Code Review by July 2022</p>
<p>Further strengthen the Council's arrangements and internal control environment around IT/Cyber Security</p> <ul style="list-style-type: none"> <li>Investment in IT Hardware</li> <li>Training</li> </ul>	<p>Director of Digital and Customer Services</p> <p>Timetable: Ongoing</p>



<ul style="list-style-type: none"> <li>• Resilience Testing</li> </ul>	
<p>Review Corporate Capacity/ Caseloads in Statutory Services (e.g. children's services) and review project management capacity to better focus on outcomes</p> <ul style="list-style-type: none"> <li>• Continuously review and assess safe practice</li> <li>• Investigate resilience with partners and providers</li> </ul>	<p>All Directors</p> <p>Timetable: Ongoing</p>

## Assurance Opinion by Leader of Council and Chief Executive

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above. 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.

It is our opinion that the Council's governance arrangements in 2020/21 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2021/22. Whilst recognising this, it should be noted that COVID-19 continues to pose significant challenges to the Council's governance arrangements, controls and processes, the outcomes of which remain uncertain. The Council has acted with unprecedented speed in its response to the rapidly unfolding COVID-19 pandemic. It has delivered large-scale projects, enacted Government policy and transformed service delivery and ways of doing business against the backdrop of urgent stakeholder need and incomplete and changing information, data and guidance. This has altered the risk and control environment in which the Council is operating at the date of this statement and this will be kept under constant review and additional assurances sought from the workplan of Internal Audit.

Councillor Christopher Poulter  
Leader of the Council

Paul Simpson  
Chief Executive

[Date 2021]  
Signed on behalf of Derby City Council