

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

18 May 2017

Annual Governance Statement 2016/17

Report of the Executive Director Operations

This report is public

Purpose of the Report

- To seek the agreement of the Audit and Corporate Governance Scrutiny Committee to the conclusions and content of the Annual Governance Statement which it is proposed to incorporate within the Council's Statement of Accounts for 2016/17.
- To increase awareness of Governance Issues amongst Members and Employees of the Council and more generally amongst all stakeholders.

1 Report Details

- 1.1 As part of its Statement of Accounts the Council has been required to include an Annual Governance Statement since the 2007/08 Financial Year. Preparation of the Statement needs to be undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework which sets out the fundamental principle of corporate governance that need to be addressed within the Annual Governance Statement. This guidance was revised and reissued in 2016 and this is the first year in which authorities are required to follow that revised guidance. The CIPFA / SOLACE Framework sets out the following revised principles which Authorities should follow:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder agreement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

One of the key purposes of the Annual Governance Statement is to assess the extent to which the above key principles are in place within an authority and are adhered to in practice. In short it is an annual assessment process for the Council's Governance arrangements. As part of this process the Audit and Corporate Governance Scrutiny Committee will also be requested to give consideration to the Council's revised Code of Corporate Governance which is attached as **Appendix 2**.

- 1.2 A key principle for CIPFA/SOLACE is that the Annual Governance Statement together with the Code of Corporate Governance are corporate documents, which must be owned by the whole organisation. In order to maintain awareness of the principles of good governance which underpin both the Code and the Annual Governance Statement it is considered appropriate that a recommendation is made that an appropriate awareness raising session is provided to a future meeting of the Council.
- 1.3 Perhaps the main change in the 2016 Guidance is the increased emphasis on the culture and ethos which underlie the policy and procedures at each individual authority. Some key principles which are set out in the Code are as follows:
 - The key focus of the governance structures should be the attainment of sustainable economic, societal and environmental outcomes.
 - Local authorities must focus on the long term having responsibilities to more than their current electors as they must take into account the impact of current decisions and actions on future generations.
 - Local Authorities should assess their Governance structures and partnerships on at least an annual basis reporting publicly on compliance
- 1.4 In order to assist Audit and Corporate Governance Scrutiny Committee in making a decision regarding the appropriateness of the draft Annual Governance Statement which is presented as **Appendix 1** to this report, a number of factors need to be taken into account. These are set out in the paragraphs which follow.
- 1.5 A key issue to be considered is the process which has been adopted in order to arrive at the Annual Governance Statement. The actual preparation has been undertaken by a group of officers chaired by the Executive Director Operations (Section 151 Officer). The group of officers has included representatives from the Governance Team, Improvement, Scrutiny, Internal Audit and Finance. The Annual Governance Statement has been taken to the Strategic Alliance Management Team for its comments, and considered by the portfolio Members of Cabinet. It is considered that these processes are appropriate for ensuring corporate ownership of the Governance Statement. The Draft Annual Governance Statement for consideration and approval by this Committee is attached as **Appendix 1**. While it is anticipated that the version considered by the Audit and Corporate Governance Scrutiny Committee will effectively be the final version of the Annual Governance Statement there may be a requirement to make some final changes before the Statement of Accounts is authorised for issue by the Chief Financial Officer. All such changes together with the audited account will be brought back to the July meeting of this Committee for information.
- 1.6 The preparation of the draft Annual Governance Statement takes place at the same time as the review of the Council's local Code of Corporate Governance. The revised Code of Corporate Governance is attached as **Appendix 2** to this report for

consideration by the Audit and Corporate Governance Scrutiny Committee. Included as an Appendix within the Code of Corporate Governance is an assessment of the arrangements which were operational within the Council during the 2016/17 financial year. That Appendix is extracted for the CIPFA / SOLACE framework and provides a benchmark against which to assess the policies, procedures and behaviours which were in place at the Council. That review supports the assessment that the Council is operating in line with good practice and that the areas where improvement is required are those identified by the work of Internal Audit. Officers are of the view that this document should serve to satisfy the requirement that a comprehensive assessment of the Council's governance arrangements be undertaken and ensure compliance with the requirement to undertake an annual review of the system of internal control.

- 1.7 While the evidence from the structured assessment that has been undertaken demonstrates that appropriate procedures and processes are in place, it should be noted that there remain a small number of issues of Corporate Governance where further work is necessary if we are to continue to comply with this requirement. The issues that have been identified as a result of the work of external review (including external audit), internal audit, and the routine work of the Council's own officers are set out in the Key Issues of Financial Governance report which is a standing item on the agenda of the Audit and Corporate Governance Scrutiny Committee. The latest version of that report is provided elsewhere on this Agenda.
- 1.8 The main area for concern that has been identified relates to the number of Internal Audit reports which have resulted in a marginal assessment concerning the system of internal control. In respect of the previous financial year 2015/16 three internal audit reports resulted in an outcome of marginal, whilst one was unsatisfactory. The position in respect of 2015/16 marked a deterioration from that reported in previous financial years. In respect of 2016/17 there have been five areas assessed as marginal. The more concerning of these are in respect of Health and Safety which has again been judged to be marginal in terms of internal control. Whilst the Audit work was positive about the improvement which had been achieved there remain some areas of concern where further progress is required. In addition the system of Internal Control in respect of the Licensing Service was viewed as marginal. In both these areas an Action Plan is in place to address areas of concern, with additional funding having been identified for appropriate external support. Internal Audit on behalf of management will again undertake an independent review of the position and progress during the course of the current financial year (2017/18). The other three areas which have been assessed as marginal concerned Transport Administration, Social Media and Procurement. While the continued trend of a high level of marginal reports needs addressing the assessment of the system of internal control also needs to put this outcome into perspective. Audit and Corporate Governance Scrutiny Committee will recall that a 'marginal' is a middle ranking assessment where "a number of areas have been identified for improvement". It is, however, appropriate that the Council seeks to maintain high standards viewing a 'marginal', rather than an 'unsatisfactory' or 'unsound' assessment as the point at which corporate action is appropriate. In part the increased number of 'marginal' audit reports may reflect the improved targeting of Internal Audit work, together with the greater coverage enabled by increasingly undertaking joint work across the two authorities within the Strategic Alliance. It should be noted that the Council continues to receive positive assessments in respect of the audits of its main financial systems which are arguably where the greatest level of risk lies.

- 1.9 In addition to the assessment contained within the Code of Governance given in **Appendix 2**, there is at **Appendix 3** a further benchmarking exercise between the CIPFA / SOLACE Code and the draft Annual Governance Statement. The results of this benchmarking confirm the assessment that the Council meets the requirements in respect of the Annual Governance Statement.
- 1.10 Finally, **Appendix 4** is the draft memo from this Committee (to be signed by the Chair) the Chief Financial Officer and Monitoring Officer to the Leader and Chief Executive which recommends that the Annual Governance Statement gives a true and fair view of the position within the authority, and that accordingly it would be reasonable for the Chief Executive and the Leader to sign the Statement off on behalf of the authority.

2 Conclusions and Reasons for Recommendation

- 2.1 The report requests that the Audit and Corporate Governance Scrutiny Committee consider the attached draft Annual Governance Statement. In particular the Committee's role is to make any comments on either the contents of the Governance Statement, the supporting documents, or the processes that have been used in order to arrive at the draft Annual Governance Statement.
- 2.2 The attention of the Committee is drawn in particular to the conclusion regarding the review of the effectiveness of the Council's internal control arrangements which is set out in **Appendix 1** (page 12 to 14). Given that the number of marginal audit reports has increased to five (from 4 in 2015/16) this continues to be a matter of concern which the Council needs to address. The Committee may wish to note that all of the Internal Audit work on the Council's major financial systems has concluded that they are either satisfactory or good. Given that these systems are at the core of our Internal Control arrangements and that effective action is being taken to address the weaknesses identified it seems reasonable to continue to conclude that the Council has a robust system of internal control in place. This Appendix concludes that:

"In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of internal control in place that has operated throughout the 2016/17 financial year."

Reasons for Recommendation

- 2.3 To enable the Audit and Corporate Governance Scrutiny Committee to assess the appropriateness of the draft Annual Governance Statement and to make recommendations concerning any amendments which they consider appropriate.

3 Consultation and Equality Impact

Consultation

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities

- 3.2 There are no direct implications, although the preparation of the Governance Statement will provide some high level assurances regarding the operation of current arrangements in these areas.

4 Alternative Options and Reasons for Rejection

- 4.1 A requirement of the Accounts and Audit Regulations is that the Council publish an Annual Governance Statement. Accordingly there is not an option that such a statement should not be prepared. The processes involved in its development reflect accepted good practice. With respect to the content of the Annual Governance Statement this reflects the deliberation and views of a range of Council officers and the Audit and Corporate Governance Scrutiny Committee which has enabled alternative options in respect of the content to be considered.

5 Implications

5.1 Finance and Risk Implications

Financial

The cost of preparing the Governance Statement will be met from within existing approved budgets. As such there are no additional financial implications for the Council arising from this report.

Risk

Effective governance arrangements for local authorities are crucial if authorities are to meet the standards of accountability, integrity, consumer focus, democratic engagement and organisational effectiveness that are expected of them. The preparation of the Annual Governance Statement is one of the mechanisms that helps ensure that effective governance arrangements are in place. The gross impact of not having effective Governance arrangements in place would be significant with the CIPFA / SOLACE guidance taking the view that effective governance lies at the heart of a Council's managerial, performance and financial arrangements. The Governance Statement and supporting documentation do, however, demonstrate that the Council has in place a range of processes and procedures which taken together amount to a culture of effective governance. While there remain a limited number of significant individual issues that need to be addressed and resolved to improve the Council's Governance arrangements the overall framework is sound and provides an appropriate base from which to address the individual issues identified within this report.

5.2 Legal Implications including Data Protection

The requirement to include an Annual Governance Statement within the Council's Statement of Accounts is set out within the Accounts and Audit Regulations and associated best practice. The processes outlined in the report should be sufficient to ensure that the Council's Governance Statement together with the Local Code of Corporate Governance meets the requirements of both the relevant legislation and associated good practice.

5.3 **Human Resources Implications**

None arising directly from this report.

6 **Recommendations**

- 6.1 That Audit and Corporate Governance Scrutiny Committee consider the draft Annual Governance Statement and make any observations or recommendations which they consider to be appropriate prior to the final version being incorporated within the Council's Statement of Accounts.
- 6.2 That the Audit and Corporate Governance Scrutiny Committee approve the local Code of Corporate Governance as set out in **Appendix 2**.
- 6.3 That the Audit and Corporate Governance Scrutiny Committee having reviewed the effectiveness of the Governance Framework are satisfied that the Council's governance and internal control arrangements are fit for purpose.
- 6.4 That the Audit and Corporate Governance Scrutiny Committee recommend that a future meeting of Council be provided with a briefing concerning the Annual Governance Statement and the local Code of Corporate Governance.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All.
Links to Corporate Plan priorities or Policy Framework	Robust Governance arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

8 **Document Information**

Appendix No	Title
1	Draft Annual Governance Statement 2016/2017
2	Code of Corporate Governance (May 2017)
3	Assurance Schedule – Based upon CIPFA / SOLACE Guidance.
4	Memorandum to the Signatories of the Annual Governance Statement.

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
KPMG “Annual Audit Letter” Audit and Corporate Governance Scrutiny Committee Meeting 24 November 2016 KPMG “Report to those Charged with Governance (ISA 260) 2015/16” Audit and Corporate Governance Scrutiny Committee Meeting 22 September 2016 “Internal Audit Consortium Annual Report 2016/17” Audit and Corporate Governance Scrutiny Committee Meeting 18 May 2017	
Report Author	Contact Number
Executive Director – Operations	7154

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of Responsibility

North East Derbyshire District 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. North East Derbyshire District 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, North East Derbyshire District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

North East Derbyshire District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) publication "Delivering Good Governance in Local Government : Framework" 2016. A copy of the code is available on our website at www.ne-derbyshire.gov.uk. This statement explains how North East Derbyshire District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2016, regulation 4(3), which requires all authorities to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, together with those activities through which it accounts to, engages with and leads the local community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have 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 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 ongoing process designed to identify and prioritise the risks to the achievement of North East Derbyshire District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North East Derbyshire throughout the year ended 31 March 2016 and up to the date of the approval of the Statement of Accounts.

The Governance Framework

The key components of the systems and processes that comprise the authority's governance arrangements include the following:

North East Derbyshire District Council sets out its objectives within its Corporate Plan which is linked to both the Community Strategy, and to a range of other supporting Strategies and Plans.

North East Derbyshire District Council has a formal constitution in place which sets out the roles and responsibilities of both Members and Senior Managers. The Constitution is available on the Council's website and is reviewed on an on-going basis. Policy and decision making is by means of a Cabinet Structure with Cabinet Member Portfolio holders. There are 4 Scrutiny Committees one of which is the Audit and Corporate Governance Scrutiny Committee which provides independent challenge and assurance regarding financial governance and risk management. The Council also has a Standards Committee which has responsibility for overseeing the operation of the Members Code of Conduct.

North East Derbyshire takes a number of steps to help ensure compliance with established policies, procedures, laws and regulations. There is a corporate induction process, with a range of awareness raising and training events being provided for both employees and Members. All staff have access to the key policies and procedures which are readily accessible on the intranet site. Formal Codes of Conduct are in operation for both Members and Officers. The Council has adopted a formal Anti Fraud and Corruption Policy characterised by zero tolerance, with this approach informing the Council's governance and internal control arrangements. To support these high standards of openness and probity the Council has in place an effective complaints policy and procedures, an anti-fraud strategy, and a whistle blowing policy. It complies with the Transparency agenda and Freedom of Information obligations. There is an appropriately qualified and experienced Data Protection Officer in post.

The District Council has a Risk Management Strategy and associated framework in place, which is reviewed on a regular basis. The Portfolio Member for Economy and Finance is the Member Champion, with independent assurance provided on an ongoing basis by the Audit and Corporate Governance Committee. The Council has embedded Risk Management by ensuring the provision of appropriate training, by regular reviews of the Strategic Risk Register, by incorporating the Service Risk Registers within the Service Planning process, and by requiring that all Committee Reports include a Risk assessment with all projects having a Project Risk Register. The Risk Management Framework includes quarterly reporting which is integrated with our Performance and Financial management arrangements.

North East Derbyshire District Council has a number of mechanisms in place for ensuring the economical, effective and efficient use of resources, and to ensure that we secure continuous improvement in the manner in which our functions are exercised in order to comply with the requirement to provide best value. Effective use of resources is ensured by a robust range of mechanisms including consultation with local residents and other stakeholders, a well developed corporate and service planning process, by the careful consideration of service performance and development in order to ensure that our services are targeted at addressing priority requirements. Economy and Efficiency are ensured by

the adoption of good procurement practice, and by services which are responsive to customer requirements and operated in line with good practice.

A Scheme of Delegation sets out the powers of Senior Officers and Members, including that of the Council's statutory officers while the Financial Regulations and Contract Procedure Rules form an integral part of the Constitution. The performance against budget is monitored on an ongoing basis with cost centre managers having access to the financial ledger, and the accountancy team providing monitoring reports on a monthly basis. This is intended to ensure that any significant budget variances are identified at the earliest opportunity. Formal monitoring reports are taken to Cabinet and to the Audit and Corporate Governance Committee on a quarterly basis.

Performance Management is at the core of our managerial arrangements with quarterly reports being provided to Cabinet. The Council monitors progress against a range of performance targets which incorporate both national and local priorities. The quality of the data which underpins the Council's performance management framework is independently assured by Internal Audit. Performance Targets together with key operational priorities are set out within the Corporate Performance Management Framework and supporting Service Plans. These in turn are linked to the Council's Corporate Plan and supporting Plans and Strategies in order to help ensure that our resources are utilised for the achievement of agreed priorities.

The District Council contributes to the delivery of the Community Strategy for our residents through the Corporate Plan and the range of associated Plans and Strategies. The Council updates its Strategic Service Planning Framework on a regular basis and reports publicly to ensure our residents are kept informed regarding the progress on those issues which they view to be critical to the wellbeing of our community. Reports which are available to residents include Cabinet and Scrutiny Papers which are available on the website, articles in the Council's newsletter 'The News' which is distributed three times a year, briefings to the local press, public consultation meetings and through the Citizens Panel. Progress against the Council's key priorities is reported to Cabinet on a quarterly basis as part of the suite of Performance reports.

The District Council, working with our local community and key partners has agreed a vision and core values which are supported by a range of 4 corporate priorities which were set out within the Council's Corporate Plan for 2015 to 2019 as follows:

- Unlocking our **Growth** Potential;
- Supporting our **Communities** to be Healthier, Safer, Cleaner and Greener;
- Providing our **Customers** with Excellent Services ;
- **Transforming** our Organisation

These priorities provide a focus for the development of partnership working, delivery of our services, and for planned improvements and rationalisation of the services which are currently provided. The emphasis on progressing these priorities is illustrated by the fact that all reports to Committee set out which of the Corporate Priorities they are seeking to promote, while the Council undertakes an ongoing review of its services through the service planning process and by the review processes which include Performance Management by Cabinet and the work of the Scrutiny function.

Review of Effectiveness

North East Derbyshire District Council has responsibility for conducting on at least an annual basis a review of the effectiveness of its governance framework including the system of internal control which is achieved primarily by way of the preparation of this Annual Governance Statement. This helps validate that our Governance Framework has ensured compliance with the law, identifies that policies and procedures are effective and expenditure is lawful. The review of effectiveness is informed by the work of the Directors and Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Head of the Internal Audit Consortium, and also by the conclusions and recommendations made by the external auditors, and other review agencies and inspectorates.

The Chief Financial Officer is responsible for ensuring that there is an adequate and effective system of internal control of both the Council's accounting and its other systems of internal control as required by the Accounts and Audit Regulations 2016. As required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) the Chief Financial Officer is professionally qualified, reports directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

The arrangements for the provision of internal audit are set out within the Council's Financial Regulations which are part of the Council's Constitution. The internal audit provision has from the 1st April 2007 been independently managed by the Internal Audit Consortium Manager. This is an arrangement for the provision of Internal Audit on a consortium basis by Bolsover, Chesterfield and North East Derbyshire, with the service being hosted by Chesterfield Borough Council on behalf of the three authorities. The work to be undertaken is formally agreed within the Audit Plan. This Audit Plan is prepared by the Internal Audit Consortium Manager and is prioritised in order to reflect the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The Council's Internal Audit function has been internally assessed as being compliant with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. The Council operates its internal audit arrangements in line with the requirements set out within the CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to elected members and management. Audit work involves reviews of the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Council's Section 151 officer, and with the Audit Committee. It is also shared with KPMG the Council's external auditor. This is part of a process of liaison intended to ensure that the work of internal and external audit is complementary and that duplication is avoided. The Internal Audit reports which arise out of the process include an assessment of the adequacy of internal control, and set out recommendations which are aimed to address those areas where potential improvements have been identified. These are submitted to the relevant officers within the Council who are required to implement any accepted recommendations. The outcome of the process is reviewed by the Chief Financial Officer, by the Council's Corporate Management Team and by the Audit and Corporate Governance Committee.

The Council's review of the effectiveness of the system of internal control is informed by:

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, those decisions are subject to Scrutiny, and the Council has an active Standards Committee;
- The Council has suitably qualified, trained and experienced officers undertaking the statutory roles of Head of Paid service (Chief Executive), Monitoring Officer and Section 151 Officer.
- Assurances from the responsible Executive Directors based on management and performance information, officer assurance statements, Scrutiny reports and the outcome of internal reviews including those looking at joint services.
- The work undertaken by the Internal Audit Consortium during the course of the year;
- The work undertaken by the External Auditor as reported in their Annual Audit Letter and in the Report to those charged with Governance (ISA 260);
- This Annual Governance Statement has reviewed the operation of our Governance arrangements during the course of the 2016/17 financial year. In developing this Statement Officers have assessed the Council's arrangements against good practice.
- The Council's Audit Committee has undertaken a structured self assessment to ensure it operates in line with CIPFA / SOLACE guidance.
- In addition to assessing its own internal control mechanisms the Council has needed to assess the extent to which reliance can be placed upon the systems of Internal Control established and maintained by Rykneld Homes, its Arms Length Management Organisation for its housing stock. On the basis of the company's formal commitment to good governance, reports of external and internal audit, IIP accreditation and the on-going partnership between the Council and Rykneld Homes to manage performance and outcomes on behalf of tenants, the Council has come to the view that there are no significant governance issues in respect of Rykneld Homes. Rykneld Homes secured the full allocation of Decent Homes funding (ending in 2014/15) from the Homes and Communities Agency, with this funding having been secured on the basis of its effective performance as a Housing Management organisation. Further capital funding has continued to be received by Rykneld Homes from the Homes and Communities Agency during both 2015/16 and 2016/17 which is an indication they are viewed as an organisation which is performing well.
- While Rykneld Homes constitutes the Council's most significant partnership we actively participate in both D2N2 and the Sheffield City Region. The Council continues to play an active role in the within the D2N2 Local Economic Partnership (LEP) and remains a non constituent member of the Sheffield City Region Combined Authority. The Council's managerial and service delivery arrangements are dependent upon effective partnership working with Bolsover District Council (the Council's Strategic Alliance Partner), while the Council works with Chesterfield Borough Council, Derbyshire Dales District Council and the Chesterfield Royal Hospital in the delivery of shared services. There are also a number of other arrangements with local organisations including a Derbyshire County Council and local Health bodies which support the Community Safety Team, Supporting People and Active and Healthy lifestyles where partnership working supports the delivery of services to local residents. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision and core values and that they are subject to appropriate governance and performance management arrangements. This assurance is provided by ensuring that the Council's involvement within partnership is formally agreed by Council and that the

outcomes of partnership working are detailed in the Council's Performance, Finance and Risk Management Framework.

- With effect from April 2011 the Council has operated within a Strategic Alliance with a neighbouring authority Bolsover District Council. Joint working arrangements have made significant progress and the two Councils now operate with a joint Management team down to third tier level. Joint working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service. While one of the key reasons for entering into this partnership is to achieve the efficiency savings that both Councils need to secure, the Strategic Alliance is also viewed as a key mechanism for managing risk including the maintenance of robust Internal Control arrangements.

The Council's External Auditors KPMG restrict their comments to the Published Accounts and as to whether the Council has made proper arrangements to secure Value for Money. The most recent review of the Council by external audit was provided by KPMG in its Annual Audit Letter relating to the 2015/16 Accounts. This letter which was reported to the Council meeting on 3rd January 2017 gave an unqualified opinion in respect of both Value for Money and in respect of the published accounts. With respect to the outcomes of the independent scrutiny undertaken by Internal Audit of the 27 audits undertaken during 2016/17, five resulting in an arrangement being assessed as marginal (a number of areas identified for improvement). Appropriate steps are being taken to address all of the weaknesses identified by Internal Audit.

Significant Governance Issues

In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of governance and internal control in place that has operated throughout the 2016/17 financial year. As part of the Annual Governance Statement, however, the Council is required to review its internal controls in order to identify those significant areas where it needs to improve its governance arrangements, performance and the management of services. A consideration of the reports raised by External Inspections, Peer Reviews and the Council's own self assessment of its current position in respect of those areas requiring improvement are as follows:

At a Strategic Level the key issue for the Council is that over the last decade the underlying financial pressures have increased significantly as the level of Central Government funding has been reduced. In response the Council has been required to identify and achieve significant ongoing efficiency savings. Given that the Council operates with a level of financial reserves just above minimum levels it is critical that the Council takes effective action to address any in year financial shortfalls. While the budget in respect of 2017/18 requires savings of £0.5m to be achieved measures have been agreed and the Council is actively working to secure these savings. The Council needs, however, to identify further cumulative savings in the order of £1.8m over the following three financial years in order to continue operating within the level of underlying financial resources. These reductions in staffing numbers together with the loss of expertise, and the requirement to reorganise processes and procedures does have the potential to impact significantly on the internal control environment. While staffing numbers and the availability of financial resources have reduced the Council continues to be required to implement and manage significant changes including measures to achieve cost saving, to promote growth and to ensure effective partnership working. In addition there are a range of issues external to the Council including legislative change together with the impact of the referendum vote to leave the European Union which create uncertainties and may

impact at some further stage upon the Council. The Council is aware of these risks and is seeking to manage them appropriately. Given the scale of the efficiencies that have been necessary the internal control environment, levels of performance and service delivery more generally will continue to require careful monitoring during the course of the current financial year. The Council does, however, have in place an experienced and appropriately qualified management team which puts it in a good place to secure an appropriate balance between securing financial savings whilst protecting both our governance arrangements and the level of service to local residents.

In addition to the above strategic internal control issues there are a limited number of areas where the Council is currently marginal or at risk of not meeting the requirements of best practice. These issues are outlined below, and all of the areas identified for improvement are currently the subject of a Corporate Action Plan (including target dates), with progress against that Action Plan being reported as a standing item to the Council's Audit and Corporate Governance Committee.

	Issue Identified	Action to Address
1.	Although the Council's budget is balanced over the period of the Medium Term Financial Plan that is on the basis of securing significant efficiency savings, amounting to £1.8m over the period to March 2021. Many of these efficiencies require the active management of significant levels of change against a background of reducing staffing levels. If these efficiencies are not secured then the Council will be forced to reduce expenditure in a relatively uncontrolled fashion which will impact upon both the quality of services to local residents, and on the internal control environment.	In setting its Medium Term Financial Plan the Council set out a range of options to deliver the efficiency gains necessary to operate within the underlying level of resources. Achievement of these measures is monitored on a regular basis by Cabinet and the Audit and Corporate Governance Scrutiny Committee as part of the Council's Performance Management framework. While appropriate mechanisms are in place and have proved effective during previous financial years it needs to be recognized that the efficiency targets continue to be challenging and will require pro active management action. The Council has refreshed its Efficiency Plan and is working to deliver the options that are available to manage the ongoing reductions in the level of financial support. The Council has a realistic level of financial balances (General Fund £2m, HRA £3m) to assist in managing the position.
2	With respect to the work undertaken by both External and Internal Audit there continues to be a limited number of areas identified where the Council's internal control arrangements require improvement. These relate to particular areas and are not representative of the quality of the overall control environment. In particular it	In respect of our management and governance arrangements all identified issues are reported to the Audit and Corporate Governance Committee through the Key Issues of Financial Governance Action Plan which is a standing item on the agenda. Internal audit reports specify a time period for the implementation of agreed recommendations and progress against these recommendations is monitored as part of the Council's Performance Management Framework.

	<p>should be noted that none of the critical reports relate to the Council's Key Financial Systems. However, while in 2014/15 the Council received only 2 critical internal audit reports, that increased to four in 2015/16 with a further increase to five in 2016/17. The more serious of those in respect of 2016/17 concerned Licensing arrangements, although further work is necessary to consolidate the progress in respect of Health and Safety which while improving was again assessed as marginal in 2016/17.</p>	<p>This review and monitoring process will continue to address areas of identified weakness to ensure that they do not significantly impact upon the overall internal control environment.</p> <p>Progress in addressing these issues and in embedding improvement will be reported to the Audit and Corporate Governance Scrutiny Committee on a regular basis in order to ensure that the improved arrangements are continuing to operate effectively.</p> <p>With regard to 2015/16 the two most critical Internal Audit reports concerned arrangements in respect of Health and Safety and S106 agreements. Audit work conducted during 2016/17 has confirmed that management actions have effectively addressed the concerns in respect of S106 agreements, although ongoing monitoring will be maintained to ensure that improvement is fully embedded. While significant improvement has been secured in respect of Health and Safety arrangements the overall arrangements have still been assessed as 'marginal'.</p>
3	<p>Reports in respect of the administration of both Licensing and a Health and Safety concluded that arrangements were marginal.</p>	<p>In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. The Action Plan include external support in order to secure improvement in a timely fashion. With respect to licensing a reinstallation of the current software to facilitate improved access to management information is taking place.</p>
4	<p>The other three marginal Internal Audit reports concerned Transport Administration, Social Media and Procurement.</p>	<p>In all three areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required will be monitored through the Council's Performance Management framework.</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. In particular we will take action to ensure that necessary improvements in our Internal Control arrangements are secured. 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.

Signed:

Graham Baxter
Leader of the Council

Dan Swaine
Chief Executive

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

May 2017

EXECUTIVE SUMMARY

Governance comprises systems and processes for the direction and control of local authorities through which they account to, engage with, and lead their communities. In other words, it is about how local authorities ensure that they are doing the right things, in the right way, for local people in a timely, inclusive, open, honest and accountable manner.

This Local Code of Corporate Governance has been developed to ensure that North East Derbyshire District Council has, and will continue to have, exemplary standards of governance which comply with best practice.

The first part of this document sets out the background to the Code following the publication of the revised Delivering Good Governance Framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Council Chief Executives and Senior Managers (SOLACE) in 2016 which replaced the previous guidance of 2012.

The CIPFA/SOLACE Framework (2016) identified seven principles of good corporate governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder agreement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

A key theme in the 2016 framework is that robust governance arrangements are a key factor in maintaining the reputation of both individual local Council's and of the wider reputation of local government as a sector. In short local government needs to ensure that it meets the highest standards and that governance arrangements and behaviour are not only sound but are seen to be sound.

In the Appendix to this document, the Council's progress against each of these principles and their supporting framework is considered and assessed. This assessment helps inform the evaluation of the Council's Governance as set out within the Annual Governance Statement.

Progress against the principles set out in this Code will be monitored and reviewed on an on-going basis, with a formal report brought before Members at least annually as an integral part of the process of preparing the Annual Governance Statement.

INTRODUCTION

1 Background

- 1.1 In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Council Chief Executives and Senior Managers (SOLACE), together with the support of a number of other key organisations, formed a working party with the aim of drawing together the key principles of corporate governance into a single framework for use in local government.
- 1.2 This followed the work by Lord Cadbury into good governance and Lord Nolan into standards in public life, as well as primary legislation, and culminated in the publication of a governance framework entitled *Corporate Governance in Local Government: A Keystone for Community Governance*.
- 1.3 This Framework recommended that local authorities review their existing governance arrangements against a number of key principles and report annually on their effectiveness in practice. Through the adoption and development of the Framework, authorities were encouraged to meet the standards of the best.
- 1.4 Since the Framework was published, local government has undergone a number of changes designed to improve local accountability and engagement in local government. This has included on-going changes to democratic structures and the ethical framework.
- 1.5 To meet these challenges, the CIPFA and SOLACE Working Party was reformed and the original Framework was revised in 2012. The revised Framework built upon the governance work in both the public and private sectors and, in particular, the principles set out in *Delivering Good Governance in Local Government* publication. The original revisions were then refreshed and updated in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government – Framework" (2016)
- 1.6 In order to achieve good governance, the Framework recommends that each local authority should be able to demonstrate that they are complying with the principles contained within the Framework. This should be done through the development and maintenance of a local code of corporate governance.
- 1.7 This document has been developed to ensure that North East Derbyshire District Council has, and continues to have, exemplary standards of governance which comply with the principles set out in the CIPFA/SOLACE Framework.

2 What Do We Mean By Governance?

- 2.1 The Council has adopted the CIPFA/SOLACE Framework's approach to corporate governance which is as follows:

"The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities."

“The Framework position the attainment of sustainable economic, societal, and environmental outcomes as a key focus of the governance processes and structures. Outcomes give the role of local government its meaning and importance.....Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.”

- 2.2 Good governance leads to good management, good performance, proper stewardship of public money, effective public engagement and, ultimately, good outcomes for residents and service users. Good governance enables councils to pursue their vision effectively as well as underpinning that vision with mechanisms for control and management of risk. In line with this approach the format of the Code of Corporate Governance is locally determined.
- 2.3 One of the main themes of the 2016 arrangements is the increased emphasis on the fact that the code of governance and governance arrangements are locally based. There is also a much greater emphasis on the shared values and the ethos which underpins the governance arrangements, rather than upon the policies and procedures which are the expressions of these values.

3 The Seven Principles

- 3.1 The CIPFA/SOLACE Framework (2016) defined seven core principles of good governance. These involve:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - B. Ensuring openness and comprehensive stakeholder agreement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the entity's capacity including the capability of its leadership and the individuals within it
 - F. Managing risks and performance through robust internal control and strong public financial management
 - G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

It should be noted that Principles A and B permeate the implementation of Principles C to G.

- 3.2 North East Derbyshire District Council is committed to these seven principles of good governance. This Code sets out how the Council complies with the seven principles to ensure good standards of governance.

4 Monitoring and Review

- 4.1 Authorities are required to test their governance structures and partnership arrangements against the principles contained in the Framework by:
- Reviewing existing governance arrangements

- Agreeing and keeping up to date the local code of governance, to incorporate measures that will ensure the maintenance of effectiveness
- On an annual basis to report publicly on compliance with their own code, detailing how they have monitored the effectiveness of their governance arrangements in the year together with any changes that are planned to ensure effective ongoing operation.

4.2 In accordance with the Code the Council will undertake an annual review of its governance arrangements to ensure that they are adequate and operating effectively in accordance with best practice. Where gaps are identified, action will be planned and undertaken to ensure improvement in future governance arrangements. The findings of this annual review will be presented to the Council's Audit and Corporate Governance Scrutiny Committee. The outcome of this review will inform and underpin the Council's Annual Governance Statement. The publication of the Annual Governance Statement meets the obligation set out within the Accounts and Regulations 2016 requiring the Council to publish alongside its accounts an Annual Governance Statement.

This Annual Governance Statement will include:

- (i) Identified Councillors and key officers who have responsibility for ensuring that there is good governance including internal control mechanisms;
- (ii) The systems and processes in place to provide good governance and how these are checked and tested;
- (iii) The key elements of the corporate governance arrangements;
- (iv) The process for maintaining and reviewing the effectiveness of governance arrangements;
- (v) Actions taken or actions planned to address significant governance issues;
- (vi) A clear summary of the resources needed to support the corporate governance arrangements.

4.3 The outcome of the Annual Review undertaken as at May 2017 in respect of the 2016/7 financial year is set out in Appendix 1 to this Code. The criteria set out in the Appendix were taken from "Delivering Good Governance in Local Government : Framework" (2016 Edition). The Appendix extracts from the guidance a set of tables which set out the key elements of good governance policies and procedures and behaviours. Arrangements at the Council are then benchmarked against these standards. While a limited number of areas have been identified as requiring improvement (generally identified through the work of internal audit) it would seem reasonable to conclude that the Council's arrangements are robust. These issues which have been identified will be addressed either through the Council's Performance Management arrangements, or by way of the Key Issues of Financial Governance report to the Audit and Corporate Governance Scrutiny Committee.

Having been first considered by the Audit and Corporate Governance Scrutiny Committee this Code of Corporate Governance has been signed on behalf of the Council by the Leader of the Council and the Chief Executive.

Councillor Graham Baxter
Leader of the Council

Dan Swaine
Chief Executive

Date: May 2017

HOW THE COUNCIL MEETS THE SEVEN PRINCIPLES

The tables given below are again extracted from the CIPFA / SOLACE publication “Delivering Good Governance in Local Government : Framework (2016 Edition), together with the associated guidance manual. The first column of the table sets out the requirements as stated in the Framework. The second column sets out the position at NEDDC and provides a summary of the evidence that supports the general overview position which is that the arrangements currently operating at NEDDC are fit for purpose. Within the guidance notes details are provided of the type of evidence that is considered necessary in order to demonstrate that appropriate arrangements are in place, with consideration given as to whether the arrangements at NEDDC are consistent with those outlined in the Guidance.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

Core principles (shown in bold and denoted A - G)

Acting in the public interest requires a commitment to and effective arrangements for:

Sub-principles (shown in bold)

Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Demonstrating strong commitment to ethical values**Behaving with Integrity****Position at NEDDC**

Ensuring members and officers behave with integrity and lead a	The Constitution, the Member and Officer Code of Conduct, the Whistleblowing, Anti-
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<p>culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</p>	<p>Fraud Strategy, etc all work together to provide an organisational and operational framework, which sets out clear expectations and standards regarding what constitutes acceptable behaviour. The Council's Constitution together with its values clearly establish an overriding requirement that our actions are characterised by openness and accountability.</p> <p>While there is good awareness of the Code of Conduct it is not considered necessary that individuals sign off that they are compliant with the Code. Inductions cover the standards of behaviour expected. Performance Appraisals are an established routine part of the Council's Performance Management systems.</p>
<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p>	<p>See above. The Council has an active Standards and Audit and Corporate Governance Scrutiny Committee, Council meetings, Scrutiny and Member development Programme all of which help ensure effective engagement with the values of the Council. Arrangements at Member level are mirrored at Officer level with Codes of Conduct, training and Members and senior officers establishing the tone and standards of the organisation. These standards are expected to apply and are monitored when working with the community and partners.</p>
<p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</p>	<p>Decision making protocols and powers are set out in the Council's Constitution. These also establish what record of the decision needs to be maintained. For Cabinet reports the quality assurance process is the Chief Executive, Directors and Monitoring Officer, while for Delegated Decisions the originating officer and the responsible Director, the CFO and the Monitoring Officer need to ensure that the decision has been appropriately taken, that appropriate advice has been incorporated and consultation undertaken. All decision-making committees are appropriately minuted setting out the criteria, rationale and considerations on which decisions are based. Where appropriate Delegated Decisions are formally recorded and published.</p> <p>All meetings include a formal requirement to declare at the outset any interests and to</p>

	<p>leave the meeting whilst items involving a potential conflict of interest are considered. The Corporate Plan which was the subject of significant levels of Consultation / Participation provides shared values which guide decision making. All Committee reports are referenced against Corporate Plan priorities.</p> <p>The Council has an active Standards Committee which meets on a quarterly basis.</p>
Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	<p>The Council has Anti Fraud and Corruption Policies with the principle of 'zero tolerance' in respect of all forms of fraud.</p> <p>The Council maintains up to date registers of interests, gifts and hospitality in respect of both Members and Employees.</p> <p>Whistleblowing policies are in place and actively promoted covering both Members / Employees / third parties.</p> <p>A complaints policy / procedure is in place which records action in respect of both service issues and behaviour. Where appropriate complaints are used to drive service improvement.</p> <p>Codes of Conduct require interests to be registered /declared and these are recorded in Committee minutes.</p>
Demonstrating Strong Commitment to ethical values	
Seeking to establish, monitor and maintain the organisation's ethical standards and performance.	This is covered by the remit of the Standards Committee. The Council has a strong 'ethos' of ethical standards which should help ensure effective ethical compliance at governing body level.
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.	See above. Expectations regarding behaviour and values are made clear in Committee reports and meetings.
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	The Employee appraisal considers behavioural issues, whilst person specification includes consideration of 'behaviour' as well as 'technical' qualification.
Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the	The Council has a Procurement Strategy which requires that our ethical standards are applied to the procurement of goods and services from third parties. This approach is secured through appropriate

organisation	<p>clauses within our contracts.</p> <p>One of the criteria that is considered before entering into a partnership would be its consistency with the principles of accountability and governance, which the Council applies to its own internal arrangements. The Council has appropriate staffing and procedures to manage these arrangements effectively.</p>
Respecting the rule of law	
Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	The culture of the Council is based upon a commitment to operating within the context of the prevailing statutory and regulatory framework. This is set out within the Constitution. All reports contain a section detailing legal implications, the monitoring officer is a qualified lawyer, all officers are appropriately selected and trained to undertake their duties in line with the legal and best practice framework.
Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	See above
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	The Council is an outward looking organisation aware of the opportunities open to it with a challenging Corporate Plan to deliver. Agreement to objectives, projects, plans and targets is reached with the context of a developed understanding of the legal and best practice framework.
Dealing with breaches of legal and regulatory provisions effectively	The Council has appropriately qualified statutory officers in place supported by suitably qualified and experienced officers. Where necessary external advice is sought. The Council seeks to operate a 'no blame' culture where disclosure of potential error is encouraged.
Ensuring corruption and misuse of power are dealt with effectively	The Council has a range of policies in place which promote positive behaviour whilst also ensure that effective sanctions are available to deal with breach effectively. Where necessary the Council will refer issues to external agencies such as the Police / DWP.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Openness

Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	The authority works to minimise the number of decisions taken in private session, complies fully with the Transparency Agenda and provides comprehensive details on the website.
Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.	See above. In addition reports to Committee are comprehensive and the Council seeks to provide robust information on which to base every decision.
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	See above. All reports are based upon a pro forma document which covers a range of issues including legal, finance, risk, equalities, HR, Data Protection. All reports are agreed by the three statutory officers to help ensure professional standards are maintained.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	The Council has a range of mechanisms for consultation which are set out in our Consultation Policy. Forums for engaging citizens include Public Meetings, Tenants Forums, reviewing individual complaints etc. The Council actively encourages engagement by members of the Community in through the website, by the Engagement Plan and the Single Equalities Scheme.

Engaging comprehensively with institutional stakeholders

NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so	The Council has a Communications Strategy in place utilising the website, 'The News' Civic newspaper, and encouraging other media coverage.
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that outcomes are achieved successfully and sustainably	
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	The Council has a place a well resourced Partnership Team with a robust local network of organisations which helps co-ordinate a range of interventions across the District.
Ensuring that partnerships are based on: – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	The Council's representatives on partnerships are required to reflect and champion the Council's values within those partnerships, and the partnerships constitution must be compatible with the Council's values for the Council to participate.

Engaging with individual citizens and service users effectively

Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcome	The Council has well established Communications and Consultation strategies, with all reports detailing the Consultation that has been undertaken. In addition to structured consultations the Council gives careful consideration to complaints and other feedback to understand whether there are emerging trends which need to be addressed.
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	See above.
Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	The Council has in place a wide range of engagement mechanisms including public meetings, Scrutiny Reviews, web based consultation and engaging with difficult to reach groups including young people. These are supported by targeted surveys, questionnaires and focus groups. The Council has in place appropriate policies in respect of Equality and Diversity to help ensure that it adheres to good practice in this area.
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	The outcome of consultation exercises is reported appropriately to Members to ensure that consultation informs service delivery and the decision making process.
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	The Council's Communication and Engagement Strategy are delivered by experienced Officers who work to ensure a balanced and inclusive approach.
Taking account of the impact of	All decisions are reached on the basis of

decisions on future generations of tax payers and service user	detailed reports which take into account both service delivery issues together with the financial implications of any new initiatives.
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In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for: Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Defining Outcomes	Position at NEDDC
Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.	The Council has a Corporate Plan in place covering the period 2015-19 which sets out the key objective and priorities. Progress in delivering the Plan is managed through the Performance Management Framework, with outcomes reported in the Annual Report.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	These are set out in the Corporate and in the individual Service plans. Where appropriate new initiatives are detailed within Committee reports.
Delivering defined outcomes on a sustainable basis within the resources that will be available	See above.
Identifying and managing risks to the achievement of outcomes	The Council has a robust Risk Management Framework in place with covers both Strategic and Service risks and is linked to the Performance Framework. The format of Committee reports ensure that issues of Risk are integral to the decision making process.
Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	The Council sets out clear standards within its Service Plan which takes customer expectations into account alongside the availability of resources.

Sustainable economic, social and environmental benefits

Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	The Council has a balanced approach to considering financial and service delivery issues when planning new initiatives. While the position re financial resources is challenging the Council takes an Invest to Save approach in respect of its major investments.
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraint	Investment and other decisions are taken on the basis of robust reports which cover service delivery, environmental factors, impact on local community and workforce and risk.
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	See above
Ensuring fair access to services	The Council has a firm commitment to equality of access, with the commitment being set out in a range of formal policies.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Determining Interventions

Position at NEDDC

Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	Comprehensive reports are provided setting out both recommended options, together with those options which have been considered and rejected. Risk analysis seeks to mitigate against failure to achieve agreed objectives.
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Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impact	The Council has appropriate Consultation and Complaints mechanism, etc to help ensure that it remains aware of evolving priorities amongst local residents. These inform the Corporate Plan, Service Plans and the Council's Medium Term Financial Plan.
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Planning Interventions

Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	The Council's Performance Management Framework establishes key timescales which reflect statutory and best practice requirements where appropriate.
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Communication and Consultation Strategies (see above)
Considering and monitoring risks facing each partner when working collaboratively, including shared risks	Partnership and Risk arrangements are reviewed on a regular basis within the Service, Strategic and Partnership Risk Registers.
Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	The Performance Management framework ensures services are operated within the context of regular review, so that adaptation can be made to evolving circumstances.
Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	These are set out in Corporate and Service Plans and monitored through the Performance Management Framework.
Ensuring capacity exists to generate the information required to review service quality regularly	The Council has appropriate staffing structures in place and has maintained the quality of reporting and Performance management.
Preparing budgets in accordance with objectives, strategies and the medium term financial plan	The MTFP is linked to the Corporate and Service Plans to ensure that service budgets are adequate to deliver agreed service levels.
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	The Council's MTFP operates on the basis of a 4 year planning period which ensures that the Council is making decisions based upon the longer term available of funding.

Optimising achievement of intended outcomes

Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	THE MTFP and the Service Planning process are effectively integrated helping facilitate joined up service and resource planning.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	See above. Also the Council has appropriately qualified and experienced officers in both service and finance functions which helps ensure that decisions are taken on the grounds of robust information.
Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	See above
Ensuring the achievement of 'social value' through service planning and commissioning	Service Plans and the Procurement Strategy both give appropriate weight to social value

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Developing the entity's capacity	Position at NEDDC
Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	The Council refreshes its Corporate and Service Plans together with the Performance Framework on an annual basis. The Council has an up to date Asset Management Plan in place which informs the Capital Programme.
Improving resource use through appropriate application of techniques such as benchmarking and other options in order to	The Council has continued to secure efficiency savings in its services in order to offset the ongoing reduction in the level of Government Grant. Efficiency savings are

determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	targeted from those services which have a relatively high cost base.
Recognising the benefits of partnerships and collaborative working where added value can be achieved	The Council actively enters into and participates in partnerships where these secure cost efficiencies or protect the quality of services eg the Strategic Alliance.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	The Council has a Staffing Establishment which is reviewed on a regular basis. The Pay Policy, Learning and Development Plan and related strategies ensure that the workforce is effectively managed as part of the strategic allocation of resources. While the Council is unlikely to continue participation in the IIP Accreditation system it was assessed as operating at a silver level at inspection in the autumn of 2015.
Developing the capability of the entity's leadership and other individuals	
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Regular meetings are held between the Council's Leader and the Chief Executive. These are part of a broader framework of appraising the performance of the Chief Executive. Roles and Responsibilities are defined in the Council's Constitution and in Job Descriptions.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	This is set out in the Council's Constitution which reflects recognised good practice.
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	Roles and Responsibilities are defined in the Council's Constitution and in Job Descriptions.
Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as	The Council is outward looking and participates in appropriate regional and national meetings / events. Locally it has effective partnership working / discussions across both public and private sector. Members and Officers attend appropriate

<p>economic, political and environmental changes and risks by: – ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged – ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis – ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</p>	<p>awareness / training events. This participation ensures that the Council is up to date concerning legislative change, etc.</p> <p>Human Resources have developed a standard corporate induction process for all new members of staff, while at a service level induction is required to cover any service specific induction issues. The appraisal process identifies training needs, and develops a plan to deliver these which is monitored on an ongoing basis. The person specification should ensure that only appropriately qualified individuals are appointed in the first place. A range of corporate awareness training is also provided to managers by means of managers' meetings, Core Brief and other mechanisms. For Members an induction process is provided after District Council elections, Members have the option of participating in a training needs survey which identifies individual needs and a range of corporate training / awareness /development activities are undertaken on an ongoing basis overseen by the Members Development Working Group.</p>
<p>Ensuring that there are structures in place to encourage public participation</p>	<p>The Council continues to develop its services to customers through effective consultation, communication and establishment of clear service standards. The Council's website and related printed material set out the opportunities for local people seeking to participate.</p>
<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<p>The Cabinet (Executive) is responsible for overseeing the delivery of Council services and is held to account by the Council, and by Scrutiny Committees. Alongside internal challenge there is a wider public challenge including the media, complaints, partner organisations.</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs</p>	<p>Employees are formally appraised supplemented by 1 to 1's which incorporates an assessment of performance and training requirements. These are developed into a corporate training plan. Members are provided with appropriate training opportunities under the direction of the Member Development Working Group.</p>
<p>Ensuring arrangements are in place</p>	<p>The Council has an appropriately staffed</p>

to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	and qualified HR team, together with a range of policies to promote employee wellbeing as part of maintaining a productive workforce.
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F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Managing Risk	Position at NEDDC
Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	The Council has in place a Risk Management Strategy, supported by regular reporting, training, etc which support a culture of effective risk management including appropriate consideration of risk in decision making.
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	The Council's arrangements cover both Strategic and Operational risk. Regular reporting to both Cabinet and Audit Committee, together with Internal Audit review are designed to ensure and demonstrate effective arrangements are in place.
Ensuring that responsibilities for managing individual risks are clearly allocated	Following a recent Internal Audit report the allocation of responsibilities for managing risks in Service Risk Plans will be strengthened.

Managing Performance	Position at NEDDC
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	The Council has a robust performance management system including service and financial targets which is monitored on a regular basis. Where organisational change arises service plans, performance targets and financial provision are amended accordingly. This ensures that

	organisational change delivers against the identified benefits.
Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	The Council has a robust reporting system which requires that all reports cover relevant issues (risk, legality etc). These are agreed by the Statutory Officers and relevant Members of the management team before progressing to Committee.
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible	The functioning of Scrutiny is well established and operating effectively supported by a specialist independent officer. These arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny's analysis and recommendation are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Cabinet for its consideration. All Scrutiny Committees provide an annual report to Council.
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	The Council's Performance Management Framework covering Performance, Finance and Risk generates formal reports on a quarterly basis, which are discussed with responsible Portfolio Members and senior managers prior to publication.
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	The Council has appropriate reporting arrangements in place which are quality assured by the Audit Committee and by Internal and External Audit.

Robust internal control

Position at NEDDC

Aligning the risk management strategy and policies on internal control with achieving objectives	The Risk Management Strategy is supported by a risk based Internal Audit Plan and working arrangements.
Evaluating and monitoring risk management and internal control on a regular basis	The Risk Management Strategy is subject to regular update, and is reported on a quarterly basis. The Council ensures that Internal Control arrangements are monitored and amended in the light of changed systems or issues being highlighted. Both are subject to independent review and assurance from Internal Audit.
Ensuring effective counter fraud and anti-corruption arrangements are in place	The Council has up to date policies and arrangements in place to minimise the risk / impact of fraud. These are reviewed by Internal Audit and reported to Audit Committee on a regular basis.

Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	The Council has a well established audit team, which works to an agreed audit plan. During 2016/17 the service was independently reviewed and found to be operating well and fully compliant with professional standards. The work of the Internal Audit team is overseen by the Audit Committee.
Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon	The Council has a well established Audit Committee in place, which includes a number of senior elected members. It reviews its effectiveness on an Annual basis to ensure that it is operating in line with both its remit under the Constitution and with best practice as set out in CIPFA guidance.

Managing data

Position at NEDDC

Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	The Council has in place robust data protection policies and arrangements including effective reporting of breaches. Appropriately trained staff are in place supported by a designated data protection officer who is a Member of the Senior Management Team.
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Where data is shared with other authorities it is subject to appropriate formal data sharing / processing arrangements.
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Data is subject to ongoing scrutiny by Elected Members and Senior Management as part of the process of reporting Performance. Independent assurance is provided by Internal Audit as part of the Audit Plan.

Strong public financial management

Position at NEDDC

Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	The Council has robust financial management arrangements covering financial planning, budget monitoring, project appraisal and financial reporting. The arrangements have ensured that the
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	Council has continued to deliver a balanced budget and have been subject to independent review by internal audit. The Council has continued to receive a positive assessment of its Statement of Accounts from external audit.
Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	See above. The Council's financial management arrangements continue to receive positive assessments from Internal Audit, whilst financial risks are reported as part of the budget development and monitoring process.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Implementing good practice in transparency

Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	The Council makes all reports available on the website and in paper format upon request. Officers seek to ensure that all reports are comprehensive and understandable to the reader. The Council is fully compliant with the Transparency Agenda.
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	The Council provides the full range of information, statements and reports which are required by statute, or recognised good practice. Where further information is required this can be requested by local residents.

Implementing good practices in reporting Position at NEDDC

Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	The Council produces Annual Accounts and an Annual Report. These supplement the range of information provided during the course of the year.
Ensuring members and senior management own the results reported	All reports are provide to full Council, to Cabinet and to the Audit Committee as appropriate.

Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	The position will be reported to Audit Committee prior to the publication of the AGS. The report to Audit Committee is considered by Portfolio Members and by senior officers including Scrutiny, Governance, Performance, Finance and Internal Audit.
Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate	The Council's Performance Management Framework and governance principles are applied to all organisations with which the Council has a significant involvement or partnership working arrangements.
Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations	The Council follows best practice guidance which helps ensure that the format and information is readily comparable against that of other organisations.

Assurance and effective accountability

Position at NEDDC

Ensuring that recommendations for corrective action made by external audit are acted upon	These are reported to the Audit and Corporate Governance Scrutiny Committee, together with an Action Plan to secure resolution. Progress in addressing more significant recommendations will be maintained by including within the standing item on the Audit Committee Agenda the "Key Issue of Financial Governance Report".
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	The effectiveness of internal audit is assessed on an annual basis with the assessment being subject to the agreement of the Audit and Corporate Committee. The Council is fully compliant with all aspects of the CIPFA Statement on "The Role of the Head of Internal Audit."
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	The Council has actively supported peer review where appropriate and the outcome of all external inspection will be considered by Council in order to address any agreed deficiencies.
Gaining assurance on risks associated	The Council monitors the risks on

with delivering services through third parties and that this is evidenced in the annual governance statement	delivering services by way of third parties, including such risks within service plans and the corporate report concerned with Risk and Partnership working. Managerial arrangements with partnerships are risk based, and with those where the risk of service disruption is minimal monitoring is of necessity 'light touch' with reliance being placed upon the partner organisations governance arrangements.
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	The Council only enters into partnerships where the partner organisations shares the Council's ethos and has appropriate governance arrangements in place to ensure accountability.

ASSURANCE SCHEDULE : EXTRACTED FROM “DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT : FRAMEWORK “ – CHAPTER 6 - The principles of good governance – application.

This Appendix utilises extracts from key elements of the CIPFA / SOLACE document “Delivering \ Good Governance in Local Government Framework” (2016) in order to show how the council complies with the requirements of good practice and the evidence which is available to support the statements made within the Annual Governance Statement. It should be noted that the revised 2016 framework places increased emphasis on culture, values and behaviour where it is more problematic – than in the case of processes and procedures - to provide evidence that appropriate cultures and behaviours are in place. The Audit Committee therefore needs to consider both the specific processes evidenced within this document together with the issue of whether the underlying culture, values and behaviour of the Council remain in line with the standards championed by the CIPFA / SOLACE document.

Extracts from the Code itself are shown in Italics in the section below:

The annual governance statement should be focused on outcomes and value for money and relate to the authority’s vision for the area. It should provide an assessment of the effectiveness of the authority’s governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority’s governance arrangements are summarised in the next section.

7.5 The annual governance statement should include:

- *an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority’s code of governance*

Position at NEDDC : This is set out within the Annual Governance Statement, with appropriate reference being made to the Code of Governance.

- *reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate*

Position at NEDDC : The Annual Governance Statement includes a section setting out “The Governance Framework” which address the issues identified above. This is followed by a section which undertakes a review of the effectiveness of the current arrangements.

- *an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework*

Position at NEDDC : Immediately following on from the section concerned with the “Review of Effectiveness” which provides approaching three pages of conclusions arising from the review the Annual Governance Statement concludes: “In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of internal control in place that has operated throughout the 2016/17 financial year.” The AGS also highlights the areas of significant weakness which whilst requiring addressing as a matter of priority are not of such a scale as to undermine the view that the Council’s Governance Arrangements remain ‘fit for purpose’. This Appendix in the sections below provides a more detailed assessment of the manner in which the Council’s governance structures and partnership arrangements meet the principles set out within the CIPFA / SOLACE framework.

- *an agreed action plan showing actions taken, or proposed, to deal with significant governance issues*

Position at NEDDC : The Action Plan is set out at the end of the Annual Governance Statement. During the 2016/17 financial year the Council has successfully addressed the issues identified within the AGS in respect of 2015/16 (agreed May 2016), although further progress is required in respect of Health and Safety arrangements. A watching brief be maintained on the other issues identified. The further issues that have been identified during the course of this year are set out in the Action Plan in respect of 2016/17 and these will be managed as part of the Council’s Performance Management Framework which monitors progress in addressing both the Council’s Approved Budget and in the implementation of Internal Audit recommendations. A formal Action Plan is in place in respect of Taxi Licensing which is operating alongside the Performance Management Framework. This performance monitoring / management will cover all of the issues identified within the draft 2016/17 AGS which appears as Appendix 1 within this report. In addition this Audit Committee receives as a standing item a report concerned with Key Issues of Financial Governance. This report – which is subject to formal approval – tracks all of the issues raised within the AGS on a regular basis.

- *reference to how issues raised in the previous year’s annual governance statement have been resolved*

Position at NEDDC : See above. In addition the requirement to ensure that the Council’s budgets are balanced on an on-going basis has featured within the Council’s AGS for a number of years. While the Council continues to meet this requirement on an annual basis it does need to be recognised that given the continuation of the Government’s ‘austerity agenda’ this requirement is likely to continue to constitute a key target for all local authorities for the foreseeable future. The Council is well aware of the links between effective financial management and good quality service provision and understands that a failure to effectively manage the financial position will invariably have an adverse impact upon local residents.

- *a conclusion – a commitment to monitoring implementation as part of the next annual review.*

Position at NEDDC : The final paragraph of the AGS provides a clear statement of commitment from the political leadership and senior officer both to address the issues that have been identified and to take action to ensure that further improvements in the Council’s Governance arrangements are secured.

7.6 *The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.*

Position at NEDDC : The Council is fully compliant with this requirement.

7.7 *The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).*

Position at NEDDC : The Council's Constitution sets out the role of the Audit Committee in the approval of the AGS on behalf of the Council.

Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

Position at NEDDC : The AGS is published along with the Statement of Accounts, but in previous years has not been included within the Annual Report. It is planned that in respect of 2016/17 a summary of the AGS together with a link to the Code of Governance will be included within the Annual Report so that stakeholders are aware of these core documents.

Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.

Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

Position at NEDDC : The Council has both a Member and an Employee Code of Conduct. These are supported by a range of other policies / procedures which reflect best practice across the local government sector.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Position at NEDDC : The Council has a qualified lawyer supported by an appropriately qualified legal team who undertakes the role of monitoring officer. All other Officers are appropriately qualified, trained and experienced to undertake their role and responsibilities in line with current legislation and recognised good practice. The Council has a formal appraisal process in place, supported by a training plan and appropriate funding to ensure that all officers retain / refresh the necessary levels of expertise in order to discharge their responsibilities effectively. All reports / new initiatives are subject to formal consideration by Council / Cabinet as appropriate and prior to being considered by Members they are

reviewed by the Council's three statutory officers (Head of Paid Service, Monitoring Officer, Chief Financial Officer).

Documenting a commitment to openness and acting in the public interest.

Position at NEDDC : This is set out within the Council's Constitution :

"The job of a Councillor is to represent you even if you did not vote for them.....Councillors have a Code of Conduct to make sure they follow high standards in the way they carry out their role. There is a Standards Committee which trains, advises and deals with complaints against Councillors alleging that they have breached the Code of Conduct.

Article 1 of the Constitution sets out the following core principles

"(a) Mission.

The Council will seek to make a difference by building thriving communities through partnership, community leadership and excellent service delivery.

(b) Values

The Council will follow these values:-

- (i) We are honest, open and accountable.
- (ii) We value people's differences and we will treat everybody fairly and with respect.
- (iii) We listen, involve and respond to all our communities.
- (iv) We always look for new and better ways of working to improve quality and value.

The position as set out within the Constitution is supported by the Code of Corporate Governance which is based upon a clear community focus as set out in the Community Strategy and Corporate Plan which sets out the links between community engagement, service planning and delivery, and the maintenance of appropriate standards of conduct.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Position at NEDDC : The Council actively encourages consultation with the local community by way of information / opportunities to comment on the website, through the Citizens Panel, Disabled People's Joint Consultative Group, Postal and On line surveys, access to local Councillors and holding all meetings in public session. The Council has a formal Consultation Policy along with an Engagement Plan which includes a structured plan concerning how the Council will ensure effective engagement with residents, customers and businesses regarding our services and functions.

Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

Position at NEDDC : These are set out within the Council's Corporate Plan which covers the period 2015/19. This Plan is on the Council's website and is linked to a range of

service plans and the Council's Performance Management Framework to help ensure that the agreed strategic direction informs the Council's actions and in particular its service delivery.

Translating the vision into courses of action for the authority, its partnerships and collaborations.

See above.

Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

Position at NEDDC : The Council conducts an ongoing review of its Constitution to ensure that it remains fit for purpose and in line with evolving best practice across the local government sector.

Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

Position at NEDDC : The Council has a robust Performance Management Framework which helps ensure that the Council's Service Plans and delivery are linked into the Council's wider strategic objectives, whilst delivering services that meet our statutory obligations and the expectations of our residents.

Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

Position at NEDDC: The roles and responsibilities of Members and senior officers are set out in the Constitution, being further supported by the Member and Officer protocols and for officers by job descriptions and contractual terms. The Constitution which reflects best practice incorporates a scheme of delegation, and sets out the roles, powers and limits upon the power of individual officers and Members.

Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.

Position at NEDDC : The Council is fully compliant with the requirements on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) with a professionally qualified CFO reporting directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

Position at NEDDC : The Monitoring Officer is a fully qualified solicitor, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

Ensuring effective arrangements are in place for the discharge of the head of paid service function.

Position at NEDDC :The Head of Paid Service is an appropriately qualified and experienced officer appointed as a result of a competitive selection process.

Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Position at NEDDC : There is an induction process for both newly Elected Members and for officer appointments. The Council has a structured Member Development Programme with a Member Development Working Group which meets on a regular basis. The minority Political Group does not participate in the Member Development programme. All officers are subject to a structured appraisal process which identifies training and development requirements, which where necessary to effectively undertake their role are funded by the Council. Professionally Qualified officers are required / supported to actively participate in the CPD arrangements of their professional body.

Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

Position at NEDDC : The Council has in place a well established Performance Management Framework which incorporates Performance, Finance and Risk. This results in formal reports on a quarterly basis to Cabinet and to Audit Committee. These are open reports available on the website. Independent review is provided by Scrutiny and by Internal Audit, with the Annual Governance Statement providing a comprehensive evaluation concerning the Council's compliance with best practice.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Position at NEDDC: The Council has in place and Anti Fraud and Corruption Policy updated on a regular basis which has a core principle of Zero tolerance of fraud. The Audit Committee receives regular updates concerning fraud including an annual report from the Head of Internal Audit which assesses the arrangements against a checklist provided within the Fighting Fraud and Corruption Locally. This assessment was considered by the Audit Committee at its meeting of 22nd September 2016. Where required the Council will take action again those who breach the Council's approach of zero tolerance including reporting concerns to the Police, the Department of Work and Pensions, or directly through its own employee codes of conduct.

Ensuring an effective scrutiny function is in place.

Position at NEDDC: The functioning of Scrutiny is well established and operating effectively supported by a senior dedicated specialist independent officer. These

arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny's analysis and recommendation are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Cabinet for its consideration. All Scrutiny meetings have agendas, reports and minutes on the Council's website.

Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

Position at NEDDC : The Council is fully compliant with the requirements of the CIPFA Statement. The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to elected members and management. The Chief Financial Officer prepares on an Annual basis an "Annual Review of the Effectiveness of Internal Audit" This appears on the Audit agenda of May 2017 and recommends to the Committee that they endorse the Chief Financial Officer's view which is that "It is my opinion that the Council's Internal Audit function which is provided as a Joint Servicecarries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on"

Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

Position at NEDDC : The Audit Committee at its meeting of 24th November 2016 undertook a self assessment of its own performance against best practice covering both the areas of work considered by the Committee, together with its role under the Constitution and the effectiveness of the Committee in securing improved outcomes. The self assessment concluded that the Audit Committee was undertaking its responsibilities in an effective manner.

Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Position at NEDDC : All reports of the External Auditor are given appropriate consideration by the Audit Committee, which requires that recommendations are implemented by Council officers. Significant external – and internal – audit recommendations are placed on the Key Issues on Financial Governance report which is a standing item on the Audit Agenda. The reports taken by the External Auditor to the Audit Committee continue to acknowledge the active co-operation of Council staff with the work of External Audit.

Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

Position at NEDDC : The Council manages its partnerships through the Partnership Team located in the Growth Directorate, whilst the Strategic Partnerships with Rykneld Homes, the Derbyshire and Sheffield economic regions, the Strategic Alliance and other Joint Working are handled through a range of governance arrangements in which both Elected Members and Officers play an active role. Reports to Cabinet and Council set out progress in each of the key partnerships and help ensure that managerial arrangements remain robust.

APPENDIX 4

DRAFT MEMORANDUM TO THE SIGNATORIES OF THE ANNUAL GOVERNANCE STATEMENT

You will be aware that in line with the requirements of the Accounts and Audit (Regulations 2015 and associated good practice guidance that all local authorities are required to prepare as part of the preparation of the Annual Accounts an “Annual Governance Statement”. At the heart of the Annual Governance Statement is a requirement to reflect how the Council conducts its business, both internally and in its dealing with others. In line with good practice it is appropriate that the Leader, and the Chief Executive be required to sign off the Governance Statement, with the signed copy appearing alongside the Council’s Published Accounts.

As the Chair of the Audit and Corporate Governance Scrutiny Committee and the Council’s Responsible Financial and Legal officers we have given appropriate consideration to the Governance Statement that is attached. We are satisfied that it meets the requirements of the relevant legislation, and that it gives the reader a true and fair view of the current position within North East Derbyshire District Council. In arriving at this statement we have taken into account the available evidence, and have put in place appropriate mechanisms to allow informed challenge of this document to take place.

In particular we have placed reliance on the following:

- We have considered the current policies and procedures in place at the Council against the good practice guidance issues by CIPFA / SOLACE and have concluded that the Council’s arrangements are fit for purpose when benchmarked against these criteria
- We have considered all of the findings or outcomes of the reports presented by KPMG (our External Auditors), by other external inspections or by Peer Review, and from Internal Audit. Where these reviews have resulted in an unfavourable conclusion with significant risk attached this has been taken forward by inclusion in the Key Issues of Financial Governance report which is presented to all meetings of the Audit Committee.
- The Governance Statement that is presented here has been compiled by the Director of Corporate Resources (S151 Officer) and has been commented on by senior Council Officers.
- The contents of the Governance Statement have been agreed with the Strategic Alliance Management team.
- Portfolio Members of the Cabinet have been provided with the opportunity to comment.

- The statement was agreed by the Council's Audit and Corporate Governance Scrutiny Committee at its meeting of 18th May 2017.

In the light of the above we consider that it is reasonable to request that you sign the attached Governance Statement. We are satisfied that the contents of the Governance Statement are supported from the evidence collected within the Assurance Statement, and is in line with the issues identified in the Key Issues of Financial Governance Statement. Furthermore, we believe that the Statement has been appropriately prepared by Council officers, and that it has been through a range of challenge mechanisms which ensure that there is effective corporate ownership of the Statement.

Councillor D Skinner
Chair of the Audit and Corporate Governance Scrutiny Committee

Bryan Mason
Chief Financial Officer

Sarah Sternberg
Monitoring Officer