

**North East Derbyshire District Council**

**Audit and Corporate Governance Scrutiny Committee**

**19 May 2016**

**Annual Governance Statement 2015/16**

**Report No: EDO/02/16-17/BM 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 2015/16.
- To increase awareness of Governance Issues amongst Members and Employees of the Council and more generally amongst all stakeholders.
- While previously this Committee has had the opportunity to consider the final version of the Statement as part of the Draft Statement of Accounts it should be noted that given the accelerated timetable for the closure of the accounts this process will need to be revised. In line with the accelerated timescale for the preparation of the draft Statement of Accounts the Chief Financial Officer will approve the Statements (including the Annual Governance Statement) for issue prior to the end of May 2016. The Audit and Corporate Governance Scrutiny Committee will approve the final version of the Statement of Accounts following the conclusion of the External Audit at its meeting on 22 September 2016.

**1 Report Details**

- 1.1 As part of its Statement of Accounts the Council has been required to include an Annual Governance Statement with effect from 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. The CIPFA / SOLACE Framework sets out the following principles which Authorities should follow:
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust 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. In previous years as part of this process it was considered appropriate to review the Council's Code of Corporate Governance. CIPFA / SOLACE issued new guidance in the April of 2016 which applies with effect from the 2016/17 financial year, with the 2015/16 Annual Governance Statement to be compiled on the basis of the previous guidance. Accordingly for this year the revision to the Code of Corporate Governance - which will be undertaken on the basis of the April 2016 guidance - will be handled separately to the preparation of the Annual Governance Statement which is the focus of this report.

- 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 wider group of Elected Members. This raising awareness of the importance of Corporate Governance will be managed this year as part of the process of launching the Code of Corporate Governance which will be based upon the revised 2016 CIPFA / SOLACE guidance.
- 1.3 CIPFA / SOLACE issued revised guidance in December 2012 which continues to apply with respect to the 2015/16 Annual Governance Statement. The Council has purchased a corporate licence for this document in electronic format copies of which continue to be available to Members. While the revised guidance does provide an example good practice statement its main focus has switched from the Governance Statement itself to ensuring that local authorities have in place their own codes of governance and are effectively discharging their responsibility for the proper conduct of business. This is summarised in the introduction to the Addendum which puts the position as follows:

“The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework is helping authorities to improve their performance, give local people better local services and provide stronger leadership for communities.

The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify

high standards of conduct, and so set the tone for the rest of the organisation.”

In terms of the Annual Governance Statement itself the revised guidance was less prescriptive and recognised the need for the Statement to be adapted to the particular circumstances of individual local authorities. This change in emphasis reflects the introduction of the Localism agenda which amongst other changes has seen the move away from a national framework to one where greater responsibility is placed upon individual local authorities.

- 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 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 will be brought back to the September meeting of this Committee for information.
- 1.6 As part of the process of preparing the Draft Annual Governance Statement itself Officers completed a pro forma Assurance Statement based upon a model provided by the Finance Advisory Network which has been endorsed by CIPFA and the Audit Commission. The outcome of the completion of that pro forma indicates that the processes and procedures which are in place at North East Derbyshire District Council are generally compliant with good practice. Whilst the completion of the Assurance Statement remains a useful exercise in that it requires the Council to adopt a process of rigorous self assessment it was not considered to be appropriate to include the full FAN Assurance Statement as an Appendix to this report. In completing the Statement the working party has undertaken a structured assessment of the governance arrangements currently in place at North East Derbyshire District Council. The conclusions of this work are incorporated within **Appendices 2 and 3** which uses the 2012 CIPFA / SOLACE guidance as a benchmark to compare our arrangements against. The Local Code of Corporate Governance, together with Appendices 2 and 3 – supported by the FAN Assurance Statement - 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 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 the Audit and Corporate Governance Scrutiny Committee to consider the attached draft Annual Governance Statement. In particular the Committees 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 13 to 15). While the increase in the number of marginal audit reports together with one unsatisfactory report has arisen during 2015/16 is a matter of concern which the Council needs to address as a matter of urgency, 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 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 2015/16 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 associated Assurance Statement 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 from the 2007/08 financial year onwards 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 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 having reviewed the effectiveness of the Governance Framework are satisfied that the Council's governance and internal control arrangements are fit for purpose.
- 6.3. That the Audit and Corporate Governance Scrutiny Committee note that a Code of Corporate Governance prepared in the light of the updated CIPFA / SOLCE guidance will be brought back to the next meeting of this Committee.

## **7 Decision Information**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	All.
<b>Links to Corporate Plan priorities or Policy Framework</b>	Robust Governance arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

## **8 Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Draft Annual Governance Statement 2015/2016
2	How the Council Meets the Six CIPFA-SOLACE GOOD Governance Principles
3	Key Elements of the Systems and Processes for a

4	Governance Framework Draft Memorandum to the Signatories of the Annual Governance Statement
<b>Background Papers</b> (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 2014/15 (Council 4th January 2016) KPMP Report to those Charged with Governance (ISA 260) – (Audit Committee 24th September 2015) Internal Audit : Summary of Progress on the Internal Audit Plan (Audit Committee 21st April 2016)	
Report Author	Contact Number
Executive Director – Operations	7154

AGIN5(b)(A&CG0519)2016 Annual Governance Statement

**ANNUAL GOVERNANCE STATEMENT 2015/16****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) Framework Delivering Good Governance in Local Government.

A copy of the code is available on our website at [www.ne-derbyshire.gov.uk](http://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 2015, 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.

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 on going basis by the Audit and Corporate Governance Scrutiny 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 Scrutiny 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. 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 2015. 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 1 April 2007 been independently managed by the Head of the Internal Audit Consortium. 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 Head of the Consortium 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 1 April 2013 replacing the CIPFA Code of Practice for Internal Audit in Local Government 2006. 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 Head of Internal Audit 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 Scrutiny 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 2015/16 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. The company was subject to an independent assessment by the Audit Commission in the February of 2010 which concluded that it was performing at a two star level with promising prospects for improvement. Rykneld Homes secured the full allocation of Decent Homes funding (ending in 2014/15) from the Homes and Communities Agency, with the continuation of such 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 2015/16 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 the Sheffield City Region and in the North Midlands local economic partnerships. At a meeting of Council held on 2 March 2016 it was agreed that the authority would seek to be a constituent member of the proposed North Midlands combined authority and non constituent member of the Sheffield City Region Combined Authority. Our managerial and service delivery arrangements are dependent upon effective partnership working with Bolsover District Council (our Strategic Alliance Partner), while we work 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 as 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 seen 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 provides 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 2014/15 Accounts. This letter which was reported to the Council meeting on 4 January 2016 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 twenty five audits undertaken during 2015/16, one resulted in an outcome of unsatisfactory (unacceptable risks identified, changes should be made), with three resulting in a arrangement being assessed as marginal (a number of areas identified for improvement).

### **Significant Governance Issues**

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 2015/16 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, 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 since 2008/09 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 2016/17 requires savings of some £0.4m 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 £1.6m over the following two financial years in order to continue operating within the level of underlying financial resources. Financial pressures to date have resulted in a reduction in the staffing establishment in excess of 20%. 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. 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 Scrutiny Committee.

	<b>Issue Identified</b>	<b>Action to Address</b>
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. 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 the quality of services to local residents, and potentially on the internal control environment.	In setting its Medium Term Financial Plan the Council established a range of measures needed to deliver the efficiency gains necessary to operate within the underlying level of resources available to the Council. Achievement of these measures is monitored on a regular basis by Cabinet and the Audit 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. Officers are working towards a position where the 2016/17 savings target will be achieved by September 2016. Ongoing work will, however, be necessary to identify options in respect of 2017/18 onwards. The Council has a realistic level of financial balances (General Fund £2m, HRA £2.8m) 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 should be noted that none of	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. This review and monitoring process will

	<b>Issue Identified</b>	<b>Action to Address</b>
	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, in 2015/16 that increased to four. The more serious of these are in respect of S106 arrangements and Health and Safety.	continue to address areas of identified weakness to ensure that they do not significantly impact upon the overall internal control environment. Progress in addressing these issues and in embedding improvement will be reported to the Audit Committee on a regular basis in order to ensure that the improved arrangements are continuing to operate effectively.
	A report in respect of the administration of S106 concluded that arrangements were unsatisfactory.	A comprehensive management review has confirmed that no funding has been lost, although receipt of funding may have been delayed by up to a year in a limited number of instances. Revised arrangements have been put in place which addresses the issues identified.
	A report in respect of Health and Safety arrangements concluded that arrangements were marginal.	To ensure that Health and Safety arrangements are robust an independent external review of arrangements has been commissioned which is currently underway. This review is in addition to the implementation of all Internal Audit recommendations.
	The other two marginal Internal Audit reports concerned Recruitment and Selection and Management of Industrial Estates.	In both of these 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.

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

## HOW THE COUNCIL MEETS THE SIX CIPFA – SOLACE GOOD GOVERNANCE PRINCIPLES

### **Principle 1**

**Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity.

Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

### **Supporting Principles**

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users;
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning;
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

The local code should reflect the requirement for local authorities to:

#### **1.1 Develop and promote the authority's purpose and vision.**

*Position at NEDDC:* This Code 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.

#### **1.2 Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements.**

*Position at NEDDC:* The Council keeps its vision for the local area under regular review as part of the development of the Corporate Plan and the service planning process. A new Corporate Plan covering the period to 2019 was launched in the spring of 2015. This Code



and its impact is formally reviewed and reported on at least an annual basis, but given the links between the Code and other areas of the Council's operations that review in reality is undertaken on an on-going basis. In the current year a new Code will be agreed in the early summer of 2016 taking into account the revised guidance being issued by CIPFA / SOLACE.

**1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.**

*Position at NEDDC:* The Council is proactive in ensuring that the Council's values and those of key partners are shared, and has in place a Partnership team together with a range of formal reporting arrangements.

**1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.**

*Position at NEDDC:* The Council publishes Annual Accounts and an Annual Report. These documents and a range of supporting evidence are available on the website. In addition the Council newspaper 'The News' is circulated to all residents three times a year. The Corporate Plan is supported by detailed service plans which establish the Council's objectives and performance targets.

**1.5 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.**

*Position at NEDDC:* The Authority's strategies and plans all contain performance targets and action plans that provide a SMART framework against which progress can be evaluated. In particular, the Performance Framework is designed to ensure that key indicators of progress are monitored and reported on at least on a quarterly basis. The information obtained from monitoring against internal targets is supported by information gathered from residents and other stakeholders from a variety of sources in order to ensure that we have a rounded picture of the public's view of the services provided.

**1.6 Put in place effective arrangements to identify and deal with failure in service delivery.**

*Position at NEDDC:* The Council has in place a number of methods for measuring resident / stakeholder satisfaction including resident surveys and the Citizen's Panel. The Complaints procedure monitors issues of concern for service users and results in quarterly reports to both SAMT and Cabinet enabling informed corrective action to be taken.

**1.7 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.**

*Position at NEDDC:* Value for Money criteria are effectively established by the Council's performance targets / budgets, which are reviewed and established on an annual basis and set out in Service Plans. These are reviewed on an on-going basis including quarterly reports to Members. Both requirements for financial savings together with legislative and other changes necessitate that services are reviewed on a regular basis. The Council is

working to address a range of environmental issues including taking steps to reduce both its own carbon footprint and that of the wider district.

## **Principle 2**

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

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council.

#### **Supporting Principles**

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny functions;
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard;
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

#### **The local code should reflect the requirement for local authorities to:**

##### **2.1 Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.**

*Position at NEDDC:* This is set out in the Council's Constitution. All Committee meetings are formally minuted and minutes formally approved.

##### **2.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.**

*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.

##### **2.3 Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.**

*Position at NEDDC:* The Constitution incorporates a scheme of delegation, and sets out the roles, powers and limits upon the power of individual officers and Members. The Constitution reflects best practice, including an appropriate approach to the Council's statutory duties and powers.

##### **2.4 Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.**

*Position at NEDDC:* The Chief Executive is the Head of Paid Service and that role together with the associated job description makes him the responsible officer for the effective discharge of the Council's operational issues. In discharging these duties the Chief Executive is supported by the Council's wider managerial arrangements and by the performance management framework.

**2.5 Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.**

*Position at NEDDC:* 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.

**2.6 Make a senior officer (usually the section 151 officer) responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.**

*Position at NEDDC:* The Executive Director – Operations has been designated as the Council's S151 officer responsible for the sound financial administration of the authority. The duties are incorporated within the job descriptions of the Executive Director – Operations.

**2.7 Make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.**

*Position at NEDDC:* The Assistant Director – Monitoring Officer and Governance is the Council's Monitoring Officer, with the Governance Manager being the Deputy. Roles and responsibilities are set out in the job description / person specification.

**2.8 Develop protocols to ensure effective communication between members and officers in their respective roles.**

*Position at NEDDC:* Protocols are in place setting out the roles and responsibilities of Members and officers (these support the powers established under the Constitution). These protocols are supported by a range of working arrangements, which help to ensure that the underlying relationships are constructive and support the effective working and development of the Council.

**2.9 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable).**

*Position at NEDDC:* The pay scale for senior officers were determined by a panel in the light of external advice. Details are available on the website. There is an annual report on pay and conditions which is reported to Council. The Members allowances / remuneration scheme is considered through appropriate good practice processes and procedures, and is publicised on the website. Members allowances were reviewed in 2013 by an independent panel and full details are set out on the Council's website.

## **2.10 Ensure that effective mechanisms exist to monitor service delivery.**

*Position at NEDDC:* The Council has in place a Performance Management Framework which includes a complaints monitoring framework helping to ensure the effective monitoring of service delivery.

## **2.11 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.**

*Position at NEDDC:* The development of the Council's Corporate Plan is an on going process of raising awareness and undertaking consultation concerning the Plan. Key consultees include an internal audience of Members, officers and employees. External consultees include parish councils, key partners and the full range of other statutory agencies. Residents' views are sought through local Members, via the use of surveys, the Citizens Forum, focus groups, public meetings and via complaints, compliments, comments and other communication with the Council and its officers (in particular contact between service providers and the public).

## **2.12 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.**

*Position at NEDDC:* Within each significant partnership there are formal constitutions and governance arrangements in place, which set out objectives, roles and responsibilities, and the constitution/governance arrangements of the partnership. These are supported by either business or project plans, which detail funding support and managerial arrangements. The Council has a Partnership Team in place which provides support for our smaller partnership arrangements where appropriate.

## **2.13 When working in partnership:**

- **Ensure that there is clarity about the legal status of the partnership;**
- **Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.**

*Position at NEDDC:* For any significant partnerships the Council gives appropriate consideration to the issues before entering into the partnership. The legal status in particular is subject to appropriate review. 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

### **Principle 3**

#### **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The seven Nolan principles are included in the guidance notes accompanying this Framework, and form part of the Members Code of Conduct. Training concerning the Code is offered to all Members.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

#### **Supporting Principles**

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensuring that organisational values are put into practice and are effective.

The local code should reflect the requirement for local authorities to:

#### **3.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.**

*Position at NEDDC:* The Council's Constitution and its values clearly establish an overriding requirement that our actions are characterised by openness and accountability. The Monitoring Officer decides which reports meet the legal / good practice criteria before they are deemed to be confidential or exempt. All decisions are minuted, and reports are available online, or alternatively may be obtained as a hard copy.

#### **3.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.**

*Position at NEDDC:* The Constitution, the Member and Officer Code of Conduct, the Whistleblowing, Anti-Fraud Strategy, and a variety of other mechanisms all work together to provide an organisational and operational framework, which sets out clear expectations and standards regarding what constitutes acceptable behaviour. All policies are effectively communicated to Members, officers and employees including availability on the website.

**3.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.**

*Position at NEDDC:* The Constitution and codes of conduct all set out clear expectations and requirements of Members and officers. Where an interest may exist it is made clear that individuals have a responsibility to declare this, and that they must not participate in any way that might influence the decision making process.

While the key emphasis is rightly upon informed openness by individuals, the Council has a well-publicised whistle-blowing policy which allows others to bring to the attention of the Authority potential conflicts of interest for investigation.

**3.4 Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.**

*Position at NEDDC:* These are set out in the codes of conduct, while formal documents / policies including this Code and the Anti-Fraud Strategy are based upon a clear commitment to openness, honesty and integrity.

**3.5 Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.**

*Position at NEDDC:* The Constitution and codes of conduct set out the formal arrangements. Appropriate awareness raising training is provided to Members/officers, and Members are reminded of the Code of Conduct requirements concerning declaration of interests at the outset of all Council meetings.

**3.6 Develop and maintain an effective standards committee.**

*Position at NEDDC:* A Standards Committee is in place which has appropriate terms of reference, membership and which meets on a regular basis. The Committee's minutes are reported to Council, and under the Constitution the Standards Committee has a direct right of report to Council. Its Chair provides an annual report to Council.

**3.7 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.**

*Position at NEDDC:* The Council has clear shared values set out in the Corporate Plan. All reports to Committee are agreed by the Strategic Alliance Management Team, and they are responsible for ensuring that the reports are in line with the Council's values. Reports are then considered by Members who determine the Council's values. Members are given appropriate training to enable them to establish and uphold appropriate values.

**3.8 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.**

*Position at NEDDC:* 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. When representing the Council, Members are expected to comply with the North East Derbyshire Code of Conduct.

## **Principle 4**

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

### **Supporting Principles**

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs;
- Ensuring that an effective risk management system is in place;
- Using legal powers to the full benefit of the citizens and communities in the area.

The local code should reflect the requirement for local authorities to:

#### **4.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.**

*Position at NEDDC:* 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.

#### **4.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.**

*Position at NEDDC:* 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.

#### **4.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.**

*Position at NEDDC:* There are Member and Officer Codes of Conduct which requires all interests to be declared, and to require that individual members / employees do not play a role in the decision making process where there is a potential conflict of interest.

All gifts and hospitality are required to be officially recorded, and the Council's Constitution includes Financial Regulations and Contract Procedure Rules which establish what constitutes acceptable behaviour in respect of the letting of contracts. Members are required to complete Register of Interest forms in accordance with the relevant legislation and the Code of Conduct. All members and senior officers are required to complete a Related Party Transaction declaration at the end of each financial year.

#### **4.4 Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.**

*Position at NEDDC:* An Audit and Corporate Governance Scrutiny Committee is well established. Its terms of reference are in line with CIPFA / SOLACE requirements. Appropriate awareness raising is provided to the Members of the Committee. The Committee has undertaken a review of its effectiveness against and compliance with the CIPFA/SOLACE guidelines for an effective Audit Committee.

#### **4.5 Put in place effective, transparent and accessible arrangements for dealing with complaints.**

*Position at NEDDC:* The Council has a formal complaints procedure in place, which is monitored and reported to Strategic Alliance Management Team and Cabinet on a regular basis. The Council endeavours to ensure that service users are made aware of their rights under the complaints procedure, and where appropriate are able to refer issues or complaints to external adjudicators.

#### **4.6 Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.**

*Position at NEDDC:* A comprehensive induction process is provided following the District Council elections, and this is supported by on going training / awareness programmes during the course of the year. Members are offered the opportunity to participate in a training needs survey which identify training needs, and there is a comprehensive Member



Development Programme overseen by a Member Development Working Group. All reports to Cabinet / Council are cleared by the Council's Chief Executive, Directors and Monitoring Officer. Reports to Scrutiny and other Committees are cleared by an appropriate Senior Officer of the Council.

**4.7 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.**

*Position at NEDDC:* All reports include a section detailing legal and financial implications. These are agreed by SAMT, the Monitoring Officer and the CFO who take a view on the adequacy of the professional advice that has been provided. All reports are processed and despatched in accordance with an agreed timetable, unless there are exceptional circumstances which require a late report to be considered. These requirements are included within the Constitution and are supported by a standard format for Committee reports which helps ensure relevant corporate issues are considered.

**4.8 Ensure that risk management is embedded into the culture of the organisation with members and managers at all levels recognising that risk management is part of their job.**

*Position at NEDDC:* The Council has a well established Risk Management Framework including appropriate training arrangements. Risk Management has a high profile within the authority, with job descriptions reflecting the requirements to manage risk, all formal reports having a Risk Management section and all major projects covered by a Risk Register.

**4.9 Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.**

*Position at NEDDC:* The Council has a well established whistle-blowing policy which is publicised on a regular basis and has recently been reviewed. The policy has been effectively utilised by officers thereby demonstrating both an awareness of and a confidence in the policy.

**4.10 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.**

*Position at NEDDC:* All officers are appropriately selected and trained to undertake the duties as set out in their job description which includes an awareness of the statutory framework. This is supported by the Council's Constitution, by the Monitoring Officer, legal team, internal audit and other 'scrutiny' arrangements which help to identify any activity which falls outside of the Council's powers. For new initiatives the quality assurance process for reports should ensure that activities outside our powers are identified prior to implementation.

**4.11 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.**

*Position at NEDDC:* As in 4.10.

**4.12 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.**

*Position at NEDDC:* As in 4.10.

## **Principle 5**

### **Developing the capacity and capability of members and officers to be effective.**

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services.

Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many types of knowledge and experience.

Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of authority members in terms of age, ethnic background, social class, life experiences, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.

### **Supporting Principles**

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group;
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

The local code should reflect the requirement for local authorities to:

### **5.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.**

*Position at NEDDC:* 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. An internal audit report identified that the Council was not fully complying with this procedure and measures have been taken to address this. The appraisal process identifies any 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.

**5.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.**

*Position at NEDDC:* The job description/person specification is intended to ensure that only appropriately qualified and experienced individuals are short listed for these positions. The appointments process ensures that a competitive process is in place, which has attracted candidates with the appropriate range of personal attributes and skills. The Council's statutory officers are appropriately qualified and are aware of their professional responsibilities regarding the management of the Council, and of the powers which are available to them to ensure that they have the appropriate level of resources to enable them to discharge those responsibilities effectively. The Strategic Alliance Management Team which takes the key decisions regarding which reports should go before committee includes the three statutory officers of the Council, and the role of these officers is well understood across the organisation. Furthermore, the process for agreeing reports and for taking major decisions is designed to ensure the statutory officers are actively involved in these processes to ensure that the organisation is appropriately managed.

**5.3 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.**

*Position at NEDDC:* Employees are subject to an appraisal 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.

**5.4 Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.**

*Position at NEDDC:* See 5.3.

**5.5 Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs.**

*Position at NEDDC:* The Council's Corporate Plan together with related strategies and plans set out clear actions and targets against which progress can be monitored. There are a range of key performance indicators and other performance targets covering all relevant services, which are monitored on a quarterly basis, while an employee appraisal process is in place which links into corporate targets. The Council also encourages external review where appropriate.

## **5.6 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.**

*Position at NEDDC:* The Council has developed a range of mechanisms for consultation which are set out in our Consultation Policy covering the period 2014-17. We have a range of forums for engaging with our citizens including Public Meetings, Tenants Forum, reviewing individual compliments, comments and complaints in order to consider whether there are underlying general trends. In addition to consultation the Council also actively encourages engagement by members of the Community in the Council's activities through the website, by the development of both an Engagement Plan and the Single Equalities Scheme.

## **5.7 Ensure that career structures are in place for members and officers to encourage participation and development.**

*Position at NEDDC:* The Council's structures with a well developed Executive (Cabinet) and Scrutiny system offer a wide range of opportunities for all Members to participate at a range of levels in the Council's managerial and Governance arrangements. The Council has appropriate arrangements in place to ensure that Officers are able to participate in Structured Personal Development, whilst the Council's staffing establishment provides opportunities for career progression.

## **Principle 6**

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

Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through external audit of their financial statements.

They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by Government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal through the Council's complaints procedure, to their local councillor or to the ombudsman.

### **Supporting Principles**

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning;

- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

The local code should reflect the requirement for local authorities to:

**6.1 Make clear to themselves, all staff and the community, to whom they are accountable and for what.**

*Position at NEDDC:* This Code sets out clear links between the Council and the community, and sets out the requirement of the Council to be accountable, to display integrity, openness and inclusivity in our activity.

**6.2 Consider those stakeholder bodies to whom the organisation is accountable and assess the effectiveness of the relationships and any changes required.**

*Position at NEDDC:* The Corporate Plan, the Medium Term Financial Plan and our Directorate Service Plans give structured consideration to the views of the Council's key stakeholders.

**6.3 Produce an annual report on scrutiny function activity.**

*Position at NEDDC:* An annual report is provided to full Council concerning the performance of the scrutiny function.

**6.4 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.**

*Position at NEDDC:* The Council has a clear Communications Strategy in place utilising the website, "The News" civic newspaper which is distributed to all residents, printed material available at contact centres, and articles in the local newspaper. These mechanism also incorporate mechanisms designed to secure feedback on the effectiveness of the various approaches utilised.

**6.5 Hold meetings in public unless there are good reasons for confidentiality.**

*Position at NEDDC:* All meetings are held in public, and reports and decisions are available on the Internet or in hard copy upon request. All confidential / exempt items are agreed by the Monitoring Officer in order to ensure that they meet with the statutory definition of items which can be regarded as being confidential / exempt. The Council complies with the legislative requirement to advertise in advance those parts of the meeting which are to be held in private.

**6.6 Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.**

*Position at NEDDC:* 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 arrangements are set out within the consultation and communications policies. This is 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.

**6.7 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result.**

*Position at NEDDC:* See 6.6.

**6.8 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.**

*Position at NEDDC:* The Annual Report that covers performance issues provides a link to the Council's priorities. Annual financial statements which cover the outturn position are provided within the Annual Statement of Accounts with more detailed reports being provided to committee and made available on the Council's website. While the Service Plans are essentially forward looking documents the objectives and aspirations which they incorporate are based upon previous year's trends, and incorporates analysis of, previous performance.

**6.9 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.**

*Position at NEDDC:* The Council's Constitution and its overall ethos as set out in the Corporate Plan make it clear that it has mechanisms and processes in place which facilitate openness and transparency. The Communication and Engagement Strategies as set out in the previous section have been explicitly developed in order to achieve these objectives. The Council complies with the requirements of the Freedom of Information legislation and the Government's Transparency Agenda.

**6.10 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.**

*Position at NEDDC:* The Constitution together with the Corporate Plan and supporting documentation and strategies incorporate a clear role for our employees in the development and delivery of our plans. A formal consultation mechanism is in place in the form of the CJCG (Council Joint Consultative Group) which involves Members, senior officers and trade union representatives. In addition, all employees are involved in the service planning process, have team meetings, attend staff roadshows, and a variety of other mechanisms exist to facilitate employee participation. The Council was accredited under IIP as operating at a Silver Standard in the July of 2015.

# Appendix 3

## Key Elements of the Systems and Processes of a Governance Framework

(Extracted from CIPFA/SOLACE Delivering Good Governance in Local Government 2012)

This Appendix seeks to assess the position at North East Derbyshire against the key principles outlined in the CIPFA/SOLACE 2012 publication.

Key elements of the systems and processes that comprise an authority's governance include arrangements for:

- **identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Council has in place a formal Consultation Policy supported by a dedicated consultation officer and a partnership team part of whose remit is to ensure effective links with local communities. The Citizens Panel (approx 1,000 residents) is surveyed on a regular basis and the Council ensures that appropriate consultation arrangements are put in place in respect of new initiatives. The Council's objectives and vision are set out in its Corporate Plans supported by a range of appropriate Strategies and Policies. Communications with local residents are secured through an active consultation process guided by an annual Engagement Plan, by distribution of a Civic newspaper "The News" three times a year, through the website, by issuing printed leaflets etc on specific issues and by promoting coverage in the local press.

- **Reviewing the authority's vision and its implications for the authority's governance Arrangements**

The authority's vision is set out in the Corporate Plan which is comprehensively reviewed on a rolling cycle, with the current plan covering the period 2015-2019. The Corporate Plan is reviewed on an ongoing basis with the authority taking active steps to ensure that its vision is considered by local residents, partners and by elected members and employees. The Corporate Plan informs both the service plans across the Council and provides the vision and objectives which underpin the full range of Council strategies and policies.

- **translating the vision into objectives for the authority and its partnerships**

The Corporate Plan informs and directs service plans across the Council. When entering into Partnerships the Council ensures that the aims and objectives of the partnership are aligned with those of the Council and that Governance arrangements are in line with those of North East Derbyshire District Council. Continued compliance is ensured by the active involvement of Elected Members, Senior Officers or the Partnership Team in all key partnerships.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money**

The Council has in place effective Performance Management arrangements which adopt a balanced scorecard approach by including Performance, Finance and Risk within the managerial framework. The Performance Management framework includes a structured consideration of customer complaints to ensure that services are being delivered in line with customer expectations.

- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

These are set out in the Council's Constitution.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Formal Codes of Conduct are in place for both Elected Members and Officers. These are supported by a range of policies in respect of Fraud and Corruption, Whistleblowing, etc. There is a Members Development Programme and training for staff which is intended to ensure that all individuals are aware of their responsibility. The Council has in place an active Standards Committee and Audit Committee which are responsible for helping ensure that high standards are maintained.

- **reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

The Constitution is reviewed on an annual basis with its appropriateness being monitored on an ongoing basis by considering if it remains 'fit for purpose' as part of the routine decision making process. Where practical experience of decision making suggests that particular areas of the constitution / decision making process are not working well then the arrangements are reviewed. The Council has a formal performance management system in place which helps ensure that the vision and objectives set out within the Corporate Plan are secured in practice.

- **reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

The Council has in place a risk management framework which is integrated into the wider performance management arrangements. The Strategic Risk Register is reported to Cabinet and Audit Committee on a quarterly basis, operational risk registers being incorporated within service plans and all Committee reports having a section dealing with Risk. Appropriate training is provided to both Elected Members and Officers to ensure there is a well developed risk culture across the organisation.

- **ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

The Council has in place an established Anti Fraud, Bribery and Corruption Policy (Including Money Laundering Policy) which was reviewed and approved in January 2016. Regular updates concerning fraud are taken to the Audit and Corporate Governance Scrutiny Committee.



- **ensuring effective management of change and transformation**

The Council has in place a suitably qualified management team which has over the last five years has secured the required financial savings through promoting 'growth' and 'transformation', has effectively delivered a Strategic Alliance, managed a number of major projects whilst protecting the level of services to local residents.

- **ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010, 2016) and, where they do not, explain why and how they deliver the same impact**

The Council has in place an experienced, qualified accountant as Chief Financial Officer and complies with the requirements of the CIPFA statement.

- **ensuring the authority's 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**

The Authority is fully compliant with the CIPFA statement having a qualified Head of Internal Audit and sufficient resources to deliver the audit plan.

- **ensuring effective arrangements are in place for the discharge of the monitoring officer function**

The Council has in place a monitoring officer who is experienced in that role, is a qualified lawyer and is head of the Council's legal service.

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

The Chief Executive is the Head of Paid Service. He was selected as the outcome of a recruitment process undertaken by specialist recruitment consultants to ensure that an appropriately qualified person has been secured.

- **undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities**

There is a well established Audit and Corporate Governance Scrutiny Committee in place which meets 6 times a year. Its role is set out within the Council's Constitution and it conforms to the requirements of the CIPFA guidance. The Audit and Corporate Governance Scrutiny Committee self assesses its performance on an annual basis against the relevant sections in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government"

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has in place both experienced and qualified statutory officers, along with an experienced legal team. All officers across the Council are suitably qualified for the role they undertake and are expected to undertake CPD to ensure that they are aware of changing legislation. The Council participates in a range of networks which helps ensure that Elected Members and Officers remain up to date and are aware of changes in both legislation and recognised good practice.

- **whistleblowing and for receiving and investigating complaints from the public**

The Council has a whistleblowing charter in place which applies to Employees, Elected Members, the public and external contractors. For more routine service complaints there is a formal complaints system in place. As part of the management of complaints all complainants are informed of their right to appeal to the Local Government Ombudsman should they not be satisfied with the outcome from the Council's own Complaints procedures.

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

The Council has an established Member Development Programme. Senior Officers are suitably qualified, are provided with appropriate training and the Council operates an appraisal scheme. The Council is accredited under IIP which assesses – amongst other things – staff training arrangements.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council continues to develop its services to customers through effective consultation, communication and establishment of clear service standards.

- **enhancing the accountability for service delivery and effectiveness of other public service providers**

The Council has well established relationships with other providers of public services. Regular meetings take place with senior officers of the County Council and with neighbouring District Council's. A regular Parish Liaison meeting is held and the Council has good working relationships with all local parish councils. Finally, the Council has good working arrangements with relevant central government departments such as the Department for Work and Pensions. Appropriate joint service initiatives – including shared services are promoted. In addition to maintaining its good working relationship with other local authorities the Council is seeking to secure further improvements in its relationship with the private sector as it recognises that a prosperous local economy lies at the heart of achieving its own priorities. To support its economic development initiatives the Council is an active Member of both the Nottinghamshire and Derbyshire Local Economic Partnership and the Sheffield City Region.

- **Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council has robust arrangements in place including agreeing Governance arrangements before entering into any partnership, active involvement of Elected Members, Senior Officers or the Partnership Team, with reports taken back to Council, Cabinet or Scrutiny as appropriate.

## 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 developed an Assurance Statement which follows the model set out within the Rough Guide for Practitioners produced by the CIPFA Finance Advisory Network. This Guidance which is now some 8 years old has been supplemented by a consideration of the requirement of the CIPFA / SOLACE publication Delivering Good Governance in Local Government (2012).
- We have considered all of the findings or outcomes of the reports presented by the Audit Commission and 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 routine 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 19 May 2016.

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