



# North East Derbyshire District Council

## **Annual Governance Statement 2020/21**

## Introduction

The Council sets out our vision for the next four years in the Council Plan 2019-2023:

***North East Derbyshire is:***

- ***Clean and attractive***
- ***A place where people are proud to live and work***
- ***A place where people will prosper***
- ***A place where people will feel safe, happy and healthy***

The Council's core business is to provide good quality services fit for the 21st Century. We will do this by transforming our services whilst ensuring our residents receive value for money for the council tax they pay.

This Annual Governance Statement reviews arrangements in place for the financial year 2020/21. The Coronavirus pandemic has impacted significantly on the Council this year and the impact on our services and our response is addressed at Appendix 1.

## The Annual Governance Statement

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA /SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*.

This Statement explains how the Council has complied with the code for the year ended 31 March 2021 and also meets the requirements of Accounts and Audit Regulations 2015.

## The Scope of the Council's 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.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

## 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 Governance Framework

The Governance Framework identifies the assurance needed to meet the Council's Strategic objectives and how this assurance is achieved. It also identifies areas that require improvement (detailed below in Significant Governance Issues).

Assurance Required:	Source of Assurance:	Assurance Received:
<ul style="list-style-type: none"> <li>• Delivery of Council Plan</li> <li>• Communication of Performance</li> <li>• Financial Management including compliance with CIPFA's Financial Management Code</li> <li>• Value for Money</li> <li>• Effective action against service failure</li> <li>• Members and Officers working effectively together</li> <li>• High standards</li> <li>• Transparency</li> <li>• Risk Management</li> <li>• Public Accountability</li> <li>• High ethical standards from members and officers</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Senior Management Team</li> <li>• MTFP</li> <li>• Financial Regulations</li> <li>• Procurement rules</li> <li>• Organisational Development Strategy</li> <li>• Information Management Strategy</li> <li>• ICT &amp; Digital Strategy</li> <li>• Health &amp; Safety Policy</li> <li>• Risk Management Policy</li> <li>• Internal and External Audit</li> <li>• Audit Committee</li> <li>• Scrutiny Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Accounts</li> <li>• External Audit</li> <li>• Internal Audit</li> <li>• Risk Registers</li> <li>• Scrutiny Reviews</li> <li>• Annual Review of Constitution</li> <li>• Audit Committee reviews</li> <li>• Service reviews</li> <li>• External Assurance and advice</li> </ul>

## **The Council Plan**

The Council Plan was launched in the summer of 2019 with a vision for North East Derbyshire as “*a place that is clean and attractive, a place where people are proud to live and work, a place where people will prosper and a place where people will feel safe, happy and healthy*”.

***Our values are:***

- ***To be honest, open and accountable***
- ***To treat everyone fairly and with respect***
- ***To listen, involve and respond***
- ***To embrace change and innovation***

***Our Aims are:***

- ***Enhancing our residents’ quality of life***
- ***Protecting and promoting the character of our District***
- ***Delivering high quality cost effective services by engaging with our residents, our partners and our staff***
- ***Growing our local economy and being a business friendly district.***

## **Performance Management**

We perform regular monitoring and reporting in line with the Council Plan and ensure that we are transparent with the key performance measures we put in place. Each year we undertake to review our delivery through the Council’s performance management framework against the plan and report these findings.

As detailed above, the Council has four strategic aims designed to deliver this vision through priorities that cover the life of the Council Plan.

The successful achievement of the Council’s agreed priorities and targets is key to both ensuring effective delivery of services to local residents, whilst providing a sustainable future for the Council.

The Council is also keen to keep both the Carbon Reduction Plan and Digital Strategy high on the agenda along with work which has commenced on a Growth and Industrial Strategy.

## **Risk**

The longer term sustainability of both our service delivery and the Council's financial position are protected by Corporate, Service and Financial Plans which cover a four year period. These are supported by a Risk Management Strategy and associated framework which identifies and mitigates the Strategic and Operational risks which could hinder or prevent our plans being achieved.

Our organisation is risk aware rather than risk averse as the decision whether to accept risk has to be taken in light of the potential benefits of a proposed course of action. The extent to which the Council is risk averse, will undoubtedly impact on its potential to progress available opportunities to secure benefits for local residents.

The Risk Management approach, both in the identification of risks and the action taken to address the risks, is flexible and has the ability to respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities have and will continue to change and evolve over time. The Council's Risk Management focus and arrangements are able to adjust in order to ensure that current threats and opportunities are effectively addressed and not stifled by inappropriate risk management arrangements.

Although the Council can do much to manage the risks it faces, it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key risks included in the Strategic Risk Register at present are:

- *The requirement to adapt to legislative change which may require additional or enhanced services, may reduce the financial resources available to the Council, or may impact on our ability to provide services which meet local needs.*
- *We are required to manage the ongoing impact of budget pressures which need to be carefully managed to mitigate the impact on service provision, to ensure we balance the budget whilst maintaining effective governance and internal control arrangements.*
- *Our ability to attract and retain the staff required to operate an effective Council and the impact of the financial environment or external circumstances having an adverse effect on staff morale.*
- *The direct or indirect impact of wider factors such as economic recession upon local communities, the loss of a major employer, or an Emergency Plan issue.*
- *The risk of operational service failure which has an impact on the local community and the Council's ability to secure its corporate objectives.*
- *Failure to have robust comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.*

- *Impact of HS2 and the electrification of the Midland Main Line on the environment, heritage, communities and businesses.*
- *The risk of overstretched or reduced organisational capacity in delivery of the Council's Agenda as this is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst maintaining service quality.*
- *Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.*
- *Failure to maintain effective governance arrangements including Performance, Finance and Risk Management in order to continue to operate effectively in a rapidly changing environment.*
- *Failure to address the impact of COVID-19 upon the organisation, local economy and community*
- *The risk of Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.*

## **Decision making**

The Council consists of 53 elected members with a Cabinet of lead members who are supported by scrutiny committees. As a result of the pandemic, temporary regulations were laid down allowing for member meetings to be held virtually for most of the year. This worked well and ensured that meetings could still be held and also accessed by the public. In addition, temporary emergency delegations were put in place to ensure that Council business could continue.

The Council has a formal Constitution in place which sets out how it operates, how decisions are made and the procedures for ensuring that the organisation is efficient, transparent and accountable to local people. It contains the basic rules that govern the Council's business and a section on responsibility for functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its members and officers operate.

In March 2020, the Council approved a report to implement a new management structure. This provided for the disestablishment of the Chief Executive officer post and for a review of future senior management arrangements after 6 months. This review was partially carried out and it was confirmed that the Council should continue without a Chief Executive officer. The rest of the review into the senior management structure has been delayed by the Covid 19 pandemic and the need to assist the community in these difficult times and to deal with other emergency planning issues related to the pandemic. The review has recommenced and is expected to be concluded during 2021.

The Constitution is available on the Council's website and is reviewed annually through the Standards Committee and Annual Council. The Constitution sets out the functions of key governance officers, including statutory posts of *Head of Paid Service* (Director of Corporate Resources), *Monitoring Officer* (Head of Corporate Governance) and *Section 151 Officer* (Head of Finance and Resources) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to members, officers and committees on staff management, financial, legal and ethical governance issues.

## **Compliance with the Financial Management Code**

CIPFA's Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. It identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code is structured around seven areas of focus:

- The Responsibilities of the Chief Finance Officer and Leadership team
- Governance and Financial Management style
- Medium to Long-term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Cases
- Financial Performance Monitoring
- External Financial Reporting

Demonstrating compliance with the Code is a collective responsibility of the Elected Members, the Chief Finance Officer and the Senior Management Team. In doing this the statutory role of the Section 151 Officer will not only be recognised but also supported, to achieve the combination of leadership roles essential for good financial management.

This year was a "shadow" year for the Code, 2021/22 is the first full year of compliance. As a step towards ensuring compliance, the Council's Internal Audit Consortium carried out an audit during 2020. The scope was to ascertain the levels of compliance and identify any gaps to enable full implementation. The audit concluded that there is already substantial compliance with the Code requirements. A small number of recommendations were raised which are being implemented during 2021/22 and have been included in the Governance action plan below.

The Chief Financial Officer remains responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's "*Statement on the Role of the Chief Financial Officer*"

*in Local Government (2016)*” The Council’s Chief Financial Officer is a full member of the Strategic Management Team and is supported by appropriately qualified and experienced staff.

## **Managing Information**

Information is central to the Council and we recognise that we have a responsibility to safeguard the information we hold and to manage it with care and accountability.

The Council complies with the Transparency Agenda, Freedom of Information obligations and the requirements of the General Data Protection Regulations (GDPR) regarding the collection, use and transfer of personal data with an appropriately qualified and experienced Data Protection Officer in post.

## **Assurance from Audit**

The Council’s external auditor is Mazars LLP. In accordance with their statutory requirements, their annual audit includes examining and certifying whether the financial statements are “true and fair” and assessing our arrangements for securing value for money in the use of resources. In 2020, Mazars LLP gave an unqualified audit opinion on both the financial statements and the use of resources.

The Council’s Internal Audit function is provided on a consortium basis and is independently managed by the Internal Audit Consortium Manager. The Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is compliant with the Public Sector Internal Audit Standards. The Internal Audit function meets the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019)

The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of Governance, risk management and control.

The Internal Audit Consortium Manager concludes:

*“Although COVID-19 has meant that less internal audit work has been undertaken than usual during the year, in my opinion, sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place. As well as internal audit work assurance has also been gained from previous years’ work, the work of the Risk Management Group, PSN compliance, external audit and compliance with the Code of Corporate Governance.*



*In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2020/21.*

*Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.*

*Overall, 100% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place. "*

## **The Role of the Audit Committee**

The Audit and Corporate Governance Scrutiny Committee carries out the functions of an Audit Committee at the Council. The Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. It is a statutory requirement and comprises 9 members appointed annually on a politically balanced basis by the Council. Its main functions include:

- *Agreeing the Annual Governance Statement and the Annual Statement of Accounts*
- *Overseeing Internal Audit's independence, objectivity, performance and professionalism and supporting their effectiveness*
- *Considering the effectiveness of risk management including risks of fraud, bribery and corruption*
- *Considering the reports of external auditors and inspectors*

The effectiveness of the committee is reviewed annually utilising CIPFA's self-assessment of good practice, specifically aimed at Audit Committees.

## **Conduct**

Our codes of conduct for members and employees clearly set out the standards and behaviour required. They are regularly reviewed and updated as required and both members and staff are periodically reminded of the requirements.

These include the need for members to register personal interests and the requirements for employees and members concerning gifts and hospitality, outside commitments and personal interests.

## Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Whistleblowing Policy that advises staff and others who work for us how to raise concerns about activities in the workplace. This is reviewed annually by the Standards Committee who also consider any entries on the whistleblowing register for the preceding 12 months. A copy of the policy can be found on the Council's website.

## Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact on service provision and morale and undermine confidence in the Council's governance arrangements and that of public bodies generally.

There is little evidence that the incidence of fraud is a major issue for the Council but the risk is increasing nationally. The Council has a zero tolerance approach to Anti-Fraud and Corruption.

## Significant Governance Issues

The progress made during 2020/21 on the significant issues identified in the 2019/20 Annual Governance Statement is shown below:

Issue Identified	Mitigation
<p><b>Pressure on the Council's Budget.</b></p> <p>Efficiencies of £4.5m need to identified by March 2024 as identified in the Medium Term Financial Plan (MTFP)</p>	<p>The Council has a track record of achieving savings. Delays to the Government's funding and business rates reviews also aids the position. The Council has developed a Transformation Programme which includes measures to deliver the efficiency gains necessary to operate within its underlying level of resources. This includes income generation and business re-design opportunities. The achievement of these efficiencies is monitored on a regular basis by Cabinet and the day to day work is undertaken by the Transformation Governance Group.</p>

<p><b>Failure to adopt a Local Plan</b></p> <p>Failure of the Local Plan to progress to submission stage and to be found sound at independent examination.</p>	<p>The Council's draft Local Plan is at an advanced stage in its Examination process. Reasonable steps have been taken to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice both before and during the Examination.</p>
<p><b>Improvement in the Performance of our Environmental Health Service</b></p> <p>.</p>	<p>A comprehensive service review was undertaken during the year and good progress made with recruitment. Increased statutory duties arising from Coronavirus regulations has been managed well and delivered effectively.</p>
<p><b>Anti-Money Laundering Policy</b></p>	<p>Refreshed during 2020/21</p>

Based on our review of the Governance Framework, the following issues will be addressed in 2021/22:

<p><b>Issue Identified</b></p>
<p><b>Pressure on the Council's Budget.</b></p> <p>Efficiencies of £5.2m need to be identified by March 2025 as identified in the Medium Term Financial Plan (MTFP). The impact of the funding settlement will have a significant bearing on this in future years.</p>
<p><b>Failure to adopt a Local Plan</b></p> <p>Failure of the Local Plan to be found sound at independent examination</p>
<p><b>Compliance with the Financial Management Code</b></p> <p>The compliance audit identified a small number of recommendations to be implemented:</p> <ol style="list-style-type: none"> <li>1. That the Monitoring Officer ensures the Council's Local Code of Corporate Governance is approved annually</li> <li>2. That the S151 officer maintains an overview of current benchmarking arrangements and adopts a methodology that can demonstrate the Council's financial resilience has been assessed in future years</li> <li>3. That a further audit of risk management be undertaken</li> </ol>
<p><b>Covid 19</b></p> <p>Continue to assess and address the impact of Covid 19 upon the organisation, local economy and community</p>
<p><b>In House Recycling Collection Service</b></p> <p>Continue to assess effectiveness and value for money of in house service</p>

## **Cyber Security**

To keep under review the arrangements in place to manage the increased risk of cyber security attacks especially in light of more agile working arrangements.

These issues will be supported by a detailed action plan, progress which will be monitored during 2021/22 and reported to senior management and to the Audit Committee.

No other major changes to the Council's governance framework are planned for 2020/21, but we will continue to review and adapt it to ensure that the Framework remains proportionate to the risks that are faced.

## **Opinion**

*We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the Annual Governance Statement action plan.*

*We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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.*



**Lee Hickin**

**Director of Corporate Resources  
(Head of Paid Service)**



**Cllr Alex Dale**

**Leader of the Council**

## **Appendix 1**

### **Coronavirus Pandemic – The Council’s Response**

Coronavirus was categorised as a pandemic by the World Health Organisation on 11 March 2020. None of the Council’s previously mentioned spending plans included a contingency for dealing with the outbreak of a pandemic.

#### **Impact on Our Services**

In March 2020 all Council services were prioritised in line with the Council’s Business Continuity Plan in anticipation of the Government’s reponse to the pandemic. Throughout the whole of 2020/21 the Council has operated under business continuity arrangements to a greater or lesser extent, closely following Government guidelines.

All year staff who could work from home did so and the major agile working exercise continued, first providing then improving facilities as quickly as possible to office based staff. Services have continued to function successfully throughout and many additional services have been provided in direct response to the pandemic. This included increased statutory responsibilities for regulatory services and the delivery of large scale grant and relief schemes. Whilst at times services have been under significant pressure, neither sickness nor self isolation have resulted in a reduction or failure in services. Personal protective equipment has been provided for staff as required.

Temporary Coronavirus Regulations were laid down by the Government allowing for member meetings to be held virtually for most of the year. In addition, temporary emergency delegations were put in place to ensure that Council business could continue.

#### **Impact on Our Finances**

During the year the main impact on the budget was the Covid 19 pandemic which inevitably had a detrimental impact on the Council’s financial position. Whilst

additional costs were incurred as a result of the pandemic the main pressure came from lost income from fees and charges, predominantly within leisure services but also from other services such as MOT testing.

Covid Response grant funding has been received from the Government during the year to aid the continued delivery of council services. In addition the Government have compensated for a proportion of the income lost from fees and charges, such as leisure centre income. This has meant that the additional pressures have not needed to be met from General Fund balances. Ongoing pressures arising from the Covid pandemic will continue to be met from this grant.

### **Support in the Community**

The Council was keen to provide support to the Community right from the outset and we have received many calls and letters of thanks for our response and support especially during the early months of the pandemic. The support we offered was diverse and extensive, some of which is listed below and we are proud to have been able to play our part in serving our community:

- At the start of the first lockdown, we registered 6,971 of our most vulnerable residents with our customer services support team and provided regular communication, signposting and support to them throughout the numerous lockdowns. We have remained in contact throughout the year providing help and support where we can.
- We provided food parcels to those in urgent need, with food supplies being provided from local supermarkets as well as Parish Council collection and donation points. Surplus donations were given to local foodbanks to supplement their existing stocks.
- We performed 10,869 pharmacy deliveries to ensure that the most vulnerable residents received the medication that they needed
- We delivered copies of the local newspaper to vulnerable and isolated residents during lockdown to help with social inclusion
- Our Environmental Health team has played a pivotal role throughout not only delivering the additional statutory duties required under Coronavirus Regulations but also dealing with the increased number of nuisance complaints whilst people were forced to stay at home. Noise nuisance complaints increased by 72% during the year and smoke nuisance by 257%. Environmental enforcement has also been incredibly active as significant increases in fly tipping was reported.

- Our website has been frequently updated with the latest links to national coronavirus information for residents. Information about the NHS test and trace system has also been provided, alerting people via social media and our website to the scams taking place around the NHS Test and Trace system.
- We supported our residents and businesses by launching a campaign highlighting the benefits of shopping local, supporting our independent businesses and growing our economy.
- To financially support businesses and individuals, the Government introduced a number of grant and relief schemes. A council tax hardship scheme was also funded and business grants have been provided to small businesses and those in the retail and hospitality sector and relief from business rates has also been awarded. The Council has administered and distributed almost £40m in grants and reliefs during the year.
- Sharley Park Leisure Centre became one of the first large scale vaccination centres in the County, offering the vital vaccine to our local residents.

<b>The Council's Plan for Recovery</b>
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The impact of the pandemic on the District will be felt for some time to come. Health and wellbeing, employment, education and housing have all been adversely affected.

Both inward and outward facing recovery plans were devised to tackle the specific impact on council services (inward) and the role we will play in the recovery of the wider community (outward). These continue to be regularly reviewed and updated as we continue on the road to recovery.

Business as usual services have continued throughout and whilst the pandemic has inevitably resulted in some delays there have been no major changes to our long term priorities and plans.