



North East Derbyshire District Council

Annual Governance Statement 2021/22

Introduction

The Council sets out our vision in the Council Plan for the period 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 2021/22. The Covid pandemic impact has affected services less this year however its legacy is still felt in the recovery of leisure services participation rates and income collection. Covid incurred additional work again for Revenues and Benefits through grant delivery and for Environmental Health through additional regulatory requirements. Despite this both services have returned some excellent performance results.

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 2022 and also meets the requirements of Accounts and Audit Regulations 2015 (as amended).

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

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.

We also monitor the performance of the companies that we own and/or have an interest in. The Council has a 50% stakeholder interest in Northwood Group Limited, who build residential properties for sale in the district. The Council is represented on the Board by both a Director and an elected member and regular Partnership and Investment Forums are held to monitor performance and

scrutinise governance, with both the Council's S151 Officer and Monitoring Officer in attendance. The Council also has a wholly owned subsidiary, Rykneld Homes Ltd, who manage the Council's housing stock under a management agreement. Again regular monitoring meetings are held, attended by senior officers from both organisations as well as the Chair of Rykneld Homes' board and representatives from the Council's Cabinet.

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 the end of the reporting period (31 March 2022) are:

- *National Funding, Priorities, Policy or Regulatory change which affects the Council area and impacts upon the business of the Council negatively.*
- *Failure to deliver a balanced budget.*
- *Operational service failure which has a major impact upon the Council as a whole or significant impact upon the local community*
- *Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by incidents such as pandemic, natural disaster, a loss of data / systems which results in the inability to provide core services and potential reputational damage.*

- *Difficulty in recruiting to key posts or in replacing key staff who leave.*
- *Delivery of major initiatives and key projects whilst implementing a range of new government reforms against a backdrop of challenging financial targets and maintaining service quality*
- *Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners*
- *Ineffective 'Good Governance' arrangements including; Performance, Finance and Risk Management.*
- *Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.*
- *Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.*
- *Impact of HS2 and the electrification of the MML on environment, heritage, communities and businesses.*
- *Failure to address the impact of COVID-19 upon the organisation, local economy and community*
- *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. 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 2021, Council approved a report to implement a new management structure. The report designated a Managing Director and an additional Director to increase resilience. Further, a number of Assistant Director posts, which were previously shared with Bolsover District Council, were re-designated as single authority posts, again to ensure resources reflect the ambition of the Council.

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* (Managing Director), *Monitoring Officer* (Assistant Director of Corporate Governance and Solicitor to the Council) and *Section 151 Officer* (Director 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.

The Council is also the Accountable Body for the Clay Cross Town Deal. The Clay Cross Town Board has been awarded £24.1m to shape and deliver a programme of investment in the Town over the next three years.

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.

The Internal Audit team regularly audit compliance and in the most recent audit concluded that the Council has substantial compliance with the Code requirements. A number of small improvements have been made this year to further enhance compliance and the S151 officer has adopted a benchmarking methodology that can demonstrate the Council's financial resilience. This is reported to the Audit Committee annually. The benchmarking results showed that the Council's revenue and capital health is healthy and improving, with sufficient revenue reserves to cover net expenditure requirements and a CFR that is in proportion to asset values. The real risk to financial resilience comes from the current national funding assessment, whilst business rates growth generates income to assist, the Council's low taxbase limits the ability to generate additional income through council tax which is a major income source in the current funding regime.

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 Senior 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 2021, 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 Head of the Internal Audit Consortium. 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 Head of the Internal Audit Consortium 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 Head of the Internal Audit Consortium concludes:

"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 2021/22. 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.

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.

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.

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. This year the review was undertaken in November and actions arising have been included in the Audit Committee's work plan for 2022/23.

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 2021/22 on the significant issues identified in the 2020/21 Annual Governance Statement is shown below:

Issue Identified	Mitigation
<p>Pressure on the Council's Budget.</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>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>Failure to adopt a Local Plan</p> <p>Failure of the Local Plan to be found sound at independent examination.</p>	<p>The Council's draft Local Plan was adopted by Council on 29 November 2021.</p>
<p>Compliance with the Financial Management Code</p>	

<p>The 2020/21 compliance audit identified a small number of recommendations to be implemented:</p> <ol style="list-style-type: none"> 1. That the Monitoring Officer ensures the Council's Local Code of Corporate Governance is approved annually 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 <p>That a further audit of risk management be undertaken</p>	<p>All recommendations from the audit have been implemented</p> <p>A further audit is due to take place in 2022.</p> <p>The Council's S151 Officer has adopted a benchmarking methodology to review the financial health of the Council and reports this annually to the Audit Committee.</p>
<p>Covid 19</p> <p>Continue to assess and address the impact of Covid 19 upon the organisation, local economy and community</p>	<p>This work was ongoing throughout 2021/22 particularly through the payment and post payment assurance of government grants and the work with businesses in the district. This has largely ended now with "business as usual" returning.</p>
<p>In House Recycling Collection Service</p> <p>Continue to assess effectiveness and value for money of in house service</p>	<p>The service has performed well during its first year and will continue to be monitored</p>
<p>Cyber Security</p> <p>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.</p>	<p>A review of arrangements has been undertaken and reported to the Joint ICT partners. This includes increasing resilience in the ICT team, incorporating a lead officer to take responsibility for risks and strategic decision making.</p>

Based on our review of the Governance Framework, the following issues will be addressed in 2022/23:

Issue Identified
<p>Pressure on the Council's Budget.</p> <p>Efficiencies of £4.6m need to be identified by March 2026 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>Planning Approvals</p> <p>Refusals of planning consent being issued based on non-evidenced and not based on material planning considerations decisions with potential for financial and reputational loss.</p>
<p>Cost of Living Increases</p> <p>The pressure the current cost of living price increases are placing on both the Council as an organisation and the wider community.</p>
<p>Difficulty in recruiting to key roles</p> <p>The Council is experiencing some difficulties in recruiting to key posts across the organisation potentially leading to deteriorating service delivery, reduction in key controls and increased pressure on existing staff.</p>
<p>Cyber Security</p> <p>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.</p>

These issues will be monitored during 2022/23 and reported to senior management and to the Audit Committee. No other major changes to the Council's governance framework are planned at this time, 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 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****Managing Director****(Head of Paid Service)****Cllr Alex Dale****Leader of the Council**