

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	11th DECEMBER 2019	CATEGORY: DELEGATED
REPORT FROM:	HEAD OF LEGAL and DEMOCRATIC SERVICES	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@southderbyshire.gov.uk	DOC: u/ks/governance/local code/Dec 19/update report Dec 19
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2019/20	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the updated Local Code of Corporate Governance for 2019/20 as detailed in **Appendix 1** is considered and approved.
- 1.2 That progress regarding on-going work to maintain good governance as detailed in the report is approved.

2.0 Purpose of the Report

- 2.1 To review the Council's governance arrangements against the national framework which the Council has adopted.

3.0 Detail

Background

- 3.1 In 2016, the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published an updated national framework for ensuring proper and robust governance in local authorities. This was adopted by the Council in December 2016 following a review by the Audit Sub-Committee.
- 3.2 The main aim of corporate governance relates to having a system by which a local authority directs and controls its functions and relates to its local community.
- 3.3 Good corporate governance is considered to be essential in demonstrating that there is credibility and confidence in public services. Sound arrangements should be founded on openness, integrity and accountability, together with the overarching concept of leadership.

The National Framework

- 3.4 The Framework is based on a set of core principles and is intended to assist authorities individually in reviewing and accounting for their own approach.
- 3.5 The overall aim of the Governance Framework is to ensure that resources are directed in accordance with agreed priorities, that there is sound and inclusive decision making, together with clear accountability for the use of resources to achieve intended outcomes for local communities.
- 3.6 Within the Framework, focus is also placed upon demonstrating economic, social and environment sustainability over a longer-term, together with the principles of social value.

The Core Principles

- 3.7 These are:
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management.
 - Implementing good practice in transparency, reporting and audit to deliver effective accountability.
- 3.8 Within each principle there are a series of sub-principles. Guidance with the Framework advocates a self-assessment against each of the sub-principles.

The Council's Assessment against the Framework

- 3.9 **Appendix 1** details the Council's latest assessment. Previous assessments have used a scoring system to rate compliance against each of the principles.
- 3.10 As most of the core elements are in place regarding the Council's governance framework, it is proposed to move away from this approach as it is considered that the scoring system no longer adds any value to the assessment.
- 3.11 Following a review of the Council's Annual Governance Statement by Internal Audit, the emphasis of the assessment has been changed to focus on

improvements and future developments, together with greater detail regarding on-going work. Therefore, the template in **Appendix 1** does look different from that previously reported.

- 3.12 However, it is important to note that the basic framework has not changed and the Council's evidence of compliance and areas for review, are still mapped against each of the principles in the National Framework.
- 3.13 The assessment itself does not necessarily measure the effectiveness of the Council's Governance arrangements. The effectiveness is assessed on an on-going basis and reported annually in the Annual Governance Statement, with the Local Code ensuring sound and robust arrangements (the core elements) are in place.
- 3.14 However, areas for improvement and work-in-progress reported in the Local Code generally arise from an on-going review of the effectiveness of the core elements of the Council's arrangements.

On-going Review

- 3.15 Although core elements to demonstrate good governance may be in place, they will always be subject to review and update. This may be due to changing circumstances, stakeholder expectations and external influences, together with learning and development arising from audits and service reviews, etc.
- 3.16 In addition, an assessment of the governance framework and ultimately its effectiveness should be made taking into account the key aspects and risks facing the Council. Currently, these are considered to be:
- Continuing growth of the District and its increasing population.
 - The general uncertainty regarding national funding beyond 2020/21.
 - Potential implications arising from the UK leaving the EU without a negotiated deal.
 - A new Corporate Plan which was adopted in October 2019.
 - The bedding in of a new senior management structure which was implemented on 1 April 2019.
- 3.17 In addition, the Council was subject to a Peer Review in October 2019. This was an action identified in the 2018/19 Governance Statement and has been the subject of previous reports regarding Principle 5 in the Framework, i.e. "developing the entity's capacity".

Improvements and On-Going Work

- 3.18 **Appendix 1** details the improvements identified and on-going work to ensure that the Council's governance arrangements remain sound and robust. In summary these are:

- **Principle 1: Financial Management Standards** – a new National Code has been issued that will require councils to demonstrate their financial stability against a set of standards.
- **Principle 2: Communication Channels** – how the Council engages with its communities with an increasing population.
- **Principle 3: Asset Management Planning** – the Council’s current plan is outdated and is being reviewed.
- **Principle 5: Organisational Capacity** – a full work programme following the implementation of a new Organisational Development and Performance Unit.
- **Principle 6: Data Quality** – implementing recommendations from an Internal Audit review.

3.19 Further detail is provided in Appendix 1.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 None

Corporate Plan Implications

5.3 There are direct priorities identified in the new Corporate Plan. However, “good governance” underpins everything that the Council carries out and ensuring a robust system of corporate governance is a key corporate indicator which demonstrates that the Council is operating on a sound basis.

Risk Impact

5.4 None directly from the assessment itself.

6.0 Community Implications

Consultation

6.1 None required.

Equality and Diversity Impact

6.2 None

Social Value Impact

6.3 Not applicable

Environmental Sustainability

6.4 Not applicable

7.0 Background Papers

7.1 Delivering Good Governance in Local Government; Framework and Guidance Notes 2016 Edition. (*Published by CIPFA and SOLACE*).

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

Principle	The Core Elements of how the Council meets each Principle to ensure Good Governance	Improvements identified and future developments	On-going Work and Future Action
<p>1. Behaving with integrity, upholding ethical values and respecting the rule of law.</p> <ul style="list-style-type: none"> <i>Behaving with integrity</i> <i>Demonstrating a strong commitment to ethical values</i> <i>Respecting the rule of law</i> 	<ul style="list-style-type: none"> An overall Constitution which governs the Council. Codes of Conduct for Members and Officers. Separate Standards Committee with Independent Persons. Register of Interests for Gifts and Hospitality. Process for declaration of personal interests. Protocol on Member and Officer Relationships. Member Codes of Practice for the Planning process, the use of ICT, Licensing Committee and representation on outside bodies. Statutory Section 151 (Finance) and Monitoring Officers (Legal) appointed to ensure compliance with the law, regulations and procedures. Regulatory Committees for Planning and Licensing. Health and Safety Committee. Ethics Statement setting out Ethical Standards for Officers. 	<p>Financial Management Standards in local government. These are being reviewed externally to ensure that local authorities are able to demonstrate their financial sustainability.</p>	<p>During 2018/19, CIPFA (1) consulted with local authority representatives on setting a revised set of standards that govern financial management in local authorities.</p> <p>Consequently, a new Code of Practice was issued in October 2019 and this will apply for all local authorities from the financial year 2021/22.</p> <p>In the preceding year, 2020/21, local authorities will be required to assess themselves against the Code, implement any improvements required and ensure that they are able to demonstrate compliance to all standards from April 2021.</p> <p>The Strategic Director (Corporate Resources) will undertake an initial assessment and report to the Audit Sub-Committee in March 2020.</p> <p>(1) Chartered Institute of Public Finance and Accountancy</p>

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

<p>2. Ensuring openness and comprehensive stakeholder engagement.</p> <ul style="list-style-type: none"> <i>Openness</i> <i>Engaging with institutional stakeholders</i> <i>Engaging with individuals and service users effectively</i> 	<ul style="list-style-type: none"> Published and transparent decision making process through a Committee system accessible to the Public. Communications Plan which uses media campaigns to inform the Public. Corporate Equalities and Fairness Scheme to ensure that access to services is available to all. Consultation Framework which includes Citizens Advice and CVS to undertake consultations and provide feedback. Representative groups established for major services such as Housing and Leisure. Parish Liaison Forum with Parish Council representatives. Quarterly Area Forums to provide the public with direct access to Members, Officers and other agencies in the District. A publicised Comments, Compliments and Complaints Procedure which allows stakeholders to report feedback and raise issues. 	<p>Communication Channels; given the growing population that the Council serves and the global movement towards “Digital Services”, the Council needs to review how it engages with its communities.</p>	<p>In the new Corporate Plan that was adopted by the Council in October 2019, two priorities were approved under the theme “<i>Our People</i>”.</p> <p>These priorities relate to ensuring consistency in approach using a customer service standard, together with making greater use of technology to engage with local residents.</p> <p>Indicators have been agreed to measure outcomes against these priorities and they will be monitored in performance reports to the Council.</p> <p>A programme of developments will be implemented during the remainder of 2019/20 and into 2020/21.</p>
<p>3. Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <ul style="list-style-type: none"> <i>Defining outcomes</i> <i>Sustainable economic, social and environmental benefits</i> 	<ul style="list-style-type: none"> Sustainable Community Strategy for South Derbyshire coordinated by the Council and overseen by the South Derbyshire Partnership. Medium-term Corporate Plan setting out the Council’s vision, values and priorities. Medium Term Financial Plan (MTFP) to ensure resources are aligned to priorities and that the financial position remains sustainable. 	<p>Asset Management Planning; the Council’s Plan is currently outdated.</p>	<p>The Plan is in the early stages of review following the implementation of a new Corporate Property Unit in April 2019.</p> <p>It is being updated to reflect current challenges and future actions for regeneration and maintenance.</p>

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

	<ul style="list-style-type: none"> • Capital Investment Strategy to guide long term investment. • Procurement Strategy to drive value for money in purchasing, together with securing social value and environmental benefits where possible. • Environmental Sustainability Group which is taking forward a range of initiatives to meet an aspiration to make the Council carbon neutral by 2030. 		Following review and consultation, a new Plan will be presented for approval to the Council in July 2020.
4. Determining the interventions (courses of action) necessary to optimise the achievement of the intended outcomes. <ul style="list-style-type: none"> • <i>Determining interventions</i> • <i>Planning interventions</i> • <i>Optimising achievement of intended outcomes</i> 	<ul style="list-style-type: none"> • Terms of Reference and work programmes set for Council Committees. • Corporate and Service Planning framework to set targets and intended outcomes. • Financial Regulations and Procedural Rules govern how public money is controlled and to ensure financial resources are deployed efficiently and effectively. • Change Management process to guide organisational and structural change. • Service and Financial Planning Working Group to evaluate new spending proposals. • Business Change Framework to assess major process changes and system developments. • Annual Budget Round to review and focus resources. 	None identified at present.	
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	<ul style="list-style-type: none"> • An Organisational Development and Performance (ODP) Unit in place led by a Head of Service which focuses on organisational and individual capacity. • Use of external organisations such as the 	Reviewing and improving arrangements regarding capacity is considered a key issue for the Council.	A new post of Head of ODP was filled in September 2019. Their focus is on OD corporately and priorities in 2019/20 are to:

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

<ul style="list-style-type: none"> • <i>Developing organisational capacity</i> • <i>Developing leadership and individual performance</i> 	<p>LGA and the Housing Quality Network to review resources and make recommendations for improvement.</p> <ul style="list-style-type: none"> • Overarching Workforce Development Strategy. • A Personal Development process with annual reviews of training needs for all Officers. • Training and Development programmes for Members and Officers which includes mandatory training courses, together with job specific and wider management training as appropriate. 	<p>A Peer Review was undertaken in October 2019.</p>	<ul style="list-style-type: none"> • Review and update the Council's values and ensure the workforce is fully engaged. • To review any capacity issues identified. • To review succession planning. • To provide training and development opportunities for new Head of Service roles implemented in April 2019. • To review the use of apprenticeships and industrial placements. • To review internal communication and feedback channels to ensure everyone is informed and feels inclusive.
<p>6. Managing risks and performance through robust internal control and strong public financial management.</p> <ul style="list-style-type: none"> • <i>Managing risk</i> • <i>Managing performance</i> • <i>Robust internal control</i> • <i>Managing data</i> 	<ul style="list-style-type: none"> • Risk Management Policy and Framework in place. This guides the identification and assessment of risk, together with the process for monitoring, updating and reporting. • Counter-fraud and Corruption Policy with an annual action plan. • Performance management process with key performance indicators to measure outcomes and identify corrective action where needed. • An established Overview and Scrutiny Committee which reviews service delivery, policy and has powers to "call-in" decisions. 	<p>A review of the data quality and performance management system.</p> <p>Data quality is a risk identified by the Council. The Council is responsible for a wide range of data which is required to provide and measure service delivery.</p> <p>If data is advertently being collected and recorded</p>	<p>In September 2019, Internal Audit reviewed the Council's system for collecting and recording data to ensure that performance reports were accurately presented.</p> <p>Although the Audit provided "reasonable assurance" of the system, it made several recommendations to improve processes.</p> <p>Actions are currently in</p>

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

<ul style="list-style-type: none"> <i>Strong financial management</i> 	<ul style="list-style-type: none"> An established Audit Committee. Independent Internal Audit function provided through partnership arrangements. Publicised Whistleblowing Policy. Appointed Data Protection Officer independent of senior management. Records Management and Document Retention Policies. Data Quality framework which sets out how data is collected, recorded and reported. Compliance with the Public Services Network Standard for ICT data security. Financial strategy which lays out the management of financial resources and sets the overall financial target for the Council. Financial monitoring and reporting process to review in year budget performance. 	<p>inaccurately, this could lead to performance not being properly recorded and ultimately, incorrect decisions are made.</p>	<p>progress with all recommendations due to be implemented by June 2020.</p> <p>Implementation is being monitored by Internal Audit and progress is being reported to the Audit Sub-Committee.</p>
<p>7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.</p> <ul style="list-style-type: none"> <i>Implementing good practice in transparency</i> <i>Implementing good practice in reporting</i> <i>Assurance and effective accountability</i> 	<ul style="list-style-type: none"> Open Data reporting under the Government's Transparency Code. Freedom of Information Publication Scheme. Annual Report produced and publicised. Annual Statement of Accounts detailing how public funds have been utilised. Annual Pay Policy Statement published. Equality and Diversity Annual Report. Scheme of Delegation in place from Full Council, down to Policy Committees and down to Officers. Senior Leadership Team and Heads of Service accountable to Members through the 	<p>None identified at present.</p>	

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

	<p>Committee system.</p> <ul style="list-style-type: none">• Service planning process in place which assigns responsibilities at an individual level.• All service related action plans and recommendations from Audit have a designated responsible officer.		
--	--	--	--