

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>29<sup>th</sup> JULY 2020</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>HEAD OF LEGAL and DEMOCRATIC SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ARDIP KAUR (01283 595715)</b> <a href="mailto:Ardip.kaur@southderbyshire.gov.uk">Ardip.kaur@southderbyshire.gov.uk</a>	<b>DOC:</b> u/KS/governance/local code/update report 2020
<b>SUBJECT:</b>	<b>LOCAL CODE OF CORPORATE GOVERNANCE REVIEW</b>	
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

## **1.0 Recommendation**

- 1.1 That the updated Local Code of Corporate Governance as detailed in **Appendix 1** is considered and approved for publication in the Annual Governance Statement.
- 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 a 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 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 There are seven principles as follows:

- 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.

- 3.10 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.

- 3.11 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**

- 3.12 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.

3.13 In addition, an assessment of the governance framework and ultimately its effectiveness should be made considering the main risks and challenges facing the Council. Currently, these are:

- Continuing growth of the District and its increasing population.
- The general uncertainty regarding national funding beyond 2020/21.
- Delivering a new Corporate Plan which was adopted in October 2019.
- Coronavirus Pandemic (Covid-19)

### **Covid-19**

3.14 Clearly the impact of Covid-19 has had a significant impact on the Council. As an international crisis, this invoked the Council's business continuity arrangements, changed methods of working and operational practices, together with bringing to the fore the Council's wider leadership role in the community.

3.15 The main impact on the Council's governance arrangements has been the decision-making process. Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or teleconference facilities. This provision in the Act remains in force until May 2021.

### **Improvements and On-Going Work**

3.16 **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:

- To review compliance with best practice standards recommended by the Government Committee on Standards in Public Life (**Principle 1**).
- To review outcomes from a staff survey to be conducted in October 2020 (**Principle 1**).
- To implement a new Equalities, Diversity and Inclusion Plan 2020 to 2024 (**Principle 2**).
- To deliver the work programme for Organisational Development (**Principle 5**).
- An audit of the effectiveness of the Council's Risk System (**Principle 6**).
- To develop customer contact points for reporting and escalating issues during an emergency or business continuity incident (**Principle 6**).

## **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 no direct priorities identified in the new Corporate Plan 2020 to 2024. 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

The Principles and the Council's systems and processes which comprise the Government Framework.	Improvements identified, future developments and on-going work, etc.
<p><b>1. <u>Behaving with integrity, upholding ethical values and respecting the rule of law</u></b></p> <p><b><i>Behaving with integrity</i></b></p> <ul style="list-style-type: none"> <li>• Codes of Conduct for Members and Officers.</li> <li>• Separate Standards Committee with Independent Persons.</li> <li>• Register of Interests for Gifts and Hospitality.</li> <li>• Process for declaration of personal interests.</li> <li>• Protocol on Member and Officer Relationships.</li> <li>• Member Codes of Practice for the Planning process, the use of ICT, Licensing Committee, and representation on outside bodies.</li> </ul> <p><b><i>Demonstrating a strong commitment to ethical values</i></b></p> <ul style="list-style-type: none"> <li>• Ethics Statement setting out Ethical Standards for Officers.</li> <li>• 3 Key Values contained in the Corporate Plan – <i>Pride, Respect and Excellence</i>.</li> </ul> <p><b><i>Respecting the rule of law</i></b></p> <ul style="list-style-type: none"> <li>• An overall Constitution which governs the Council</li> <li>• Regulatory Committees for Planning and Licensing.</li> <li>• Health and Safety Committee.</li> <li>• Statutory Section 151 (Finance) and Monitoring Officers (Legal) appointed to ensure compliance with the law, regulations, and procedures.</li> <li>• The Council complies with the Statement on the Role of the Section 151 in Local Government and this is demonstrated to the Council on an annual basis.</li> </ul>	<p>To demonstrate compliance with this Principle, the Council should work towards implementing the 15 best practice standards contained in the “Nolan” principles, as recommended by the Government Committee on Standards in Public Life.</p> <p>Although many of these principles are embedded in the Council's Governance arrangements, it is recommended that this is subject to a separate review.</p> <p>Staff training sessions were held in January 2020 to help embed the Council's 3 key values of Pride, Respect and Excellence. On-going training and dissemination are continuing to ensure values are well known and applied.</p> <p>A Staff survey will be undertaken in October 2020 for which views and feedback on ethics, values and culture will be sought.</p>

## 2. Ensuring openness and comprehensive stakeholder engagement

### ***Openness***

- 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.

### ***Engaging with institutional stakeholders***

- 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.

### ***Engaging with individuals and service users effectively***

- 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.

**Equalities, Diversity, and Inclusion:** The Council is required every four years to review and publish a new Policy and demonstrate that it has due regard to the Equalities Act 2010 when delivering services. This review is in progress and a draft plan for consultation with stakeholders will be reported to the Finance and Management Committee in October 2020.

**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.

In the new Corporate Plan that was adopted by the Council in October 2019, two priorities were approved under the theme “*Our People*”.

These priorities relate to ensuring consistency in approach using a customer service standard, together with making greater use of technology to engage with residents.

Indicators have been agreed to measure outcomes against these priorities and they will be monitored in performance reports to the Council.

A program of development is currently being implemented during 2020/21. This is being monitored through the corporate performance process and the Transformation Plan.

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

#### ***Defining outcomes***

- 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.

#### ***Sustainable economic, social and environmental benefits***

- Capital Investment Strategy to guide long term investment.
- Procurement Strategy to drive value for money in purchasing, together with securing environmental, economic, and social 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.

**Asset Management Planning:** The Council's Asset Management Plan has recently been reviewed and updated to align it with the new Corporate Plan 2020 to 2024.

The new Plan was due to be considered and approved by the Finance and Management Committee on 30 July 2020.

The Council's Procurement Strategy has also been updated and is due to be considered and approved by the Finance and Management Committee in August 2020.

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### 4. Determining the interventions (courses of action) necessary to optimise the achievement of the intended outcomes

#### ***Determining interventions***

- Terms of Reference and work programs 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.

#### ***Planning interventions***

- 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.

#### ***Optimising achievement of intended outcomes***

- Annual Budget Round to review and focus resources.
- Transformation plan to prioritise major changes.
- VFM Statement is in place which sets out the principles of VFM and how it applies to the specific aims of the Council and the District. This acts as guidance to enable Officers to demonstrate how they deliver VFM.
- This is enhanced by the requirement for an explicit demonstration of VFM to be an integral part of proposals for service development and restructures, etc.
- A VFM test is included in the Capital Evaluation process.

#### **Financial Management Code**

During 2019 CIPFA consulted with local authorities on setting a set of standards that govern financial management and to ensure that local authorities can demonstrate their financial sustainability.

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.

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.

This Committee considered an initial assessment against the Standards 13 July 2020.

The Finance and Management Committee approved a Transformation Plan 9 July 2020.

The Committee also approved a Transformation Steering Group to oversee delivery of the Plan.

A new Annual VFM will be reported to the Finance and Management Committee on 30 July 2020.



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<p><b><u>5. Developing the entity's capacity, including the capability of its leadership and the individuals within it</u></b></p> <p><b><i>Developing Organisational capacity</i></b></p> <ul style="list-style-type: none"> <li>• An Organisational Development and Performance (ODP) Unit in place led by a Head of Service which focuses on Organisational and individual capacity.</li> <li>• Use of external organisations such as the LGA and the Housing Quality Network to review resources and make recommendations for improvement.</li> <li>• Peer Review undertaken in October 2019.</li> </ul> <p><b><i>Developing leadership and individual performance</i></b></p> <ul style="list-style-type: none"> <li>• Overarching Workforce Development Strategy.</li> <li>• A Personal Development process with annual reviews of training needs for all Officers.</li> <li>• Training and Development programs for Members and Officers which includes mandatory training courses, together with job specific and wider management training as appropriate.</li> </ul>	<p>A new post of Head of Organisational Development and Performance was filled in September 2019. Supported by a new post of Learning and Development Manager, their priorities for 2020/21 are:</p> <ul style="list-style-type: none"> <li>• Review and update the Council's values (completed) and ensure the workforce is fully engaged.</li> <li>• To identify capacity issues.</li> <li>• To review succession planning.</li> <li>• To provide training and development opportunities for senior managers.</li> <li>• To increase the use of Modern Apprentices in line with Government targets.</li> <li>• To review internal communication and feedback channels to ensure everyone is informed and feels inclusive.</li> <li>• To implement a new Personal Development process.</li> <li>• To update the Workforce Development Strategy.</li> </ul> <p>The outcome of these priorities is being measured in Corporate Plan targets.</p>
<p><b><u>6. Managing risks and performance through robust internal control and strong public financial management</u></b></p> <p><b><i>Managing risk</i></b></p> <ul style="list-style-type: none"> <li>• Risk Management Policy and Framework in place. This guides the identification and assessment of risk, together with the process for monitoring, updating and reporting.</li> <li>• Business Continuity arrangements in place in accordance with the Civil Contingencies Act</li> <li>• Fraud Service delivered through a Shared Service Agreement with a neighboring council.</li> <li>• Counter-fraud and Corruption Policy with an annual action plan.</li> </ul>	<p>Audit work has commenced on reviewing the effectiveness of the Council's Risk Management arrangements.</p>

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<p><b><i>Managing performance</i></b></p> <ul style="list-style-type: none"> <li>• Performance management process with key performance indicators to measure outcomes and identify corrective action where needed.</li> <li>• An established Overview and Scrutiny Committee which reviews service delivery, policy and has powers to “call-in” decisions.</li> </ul> <p><b><i>Robust internal control</i></b></p> <ul style="list-style-type: none"> <li>• An established Audit Committee.</li> <li>• Independent Internal Audit function provided through partnership arrangements.</li> <li>• Publicised Whistleblowing Policy.</li> </ul> <p><b><i>Managing data (and ensuring compliance with the Data Protection Act 2018)</i></b></p> <ul style="list-style-type: none"> <li>• Appointed Data Protection Officer independent of senior management.</li> <li>• Records Management and Document Retention Policies.</li> <li>• Data Quality framework which sets out how data is collected, recorded and reported.</li> <li>• Compliance with the Public Services Network Standard for ICT data security.</li> </ul> <p><b><i>Strong financial management</i></b></p> <ul style="list-style-type: none"> <li>• Financial Strategy in place which sets out the management of financial resources and sets the overall financial target for the Council.</li> <li>• Financial monitoring and reporting process to review in year budget performance.</li> </ul>	<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 inaccurately, this could lead to performance not being properly recorded and ultimately, incorrect decisions are made.</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 progress with all recommendations due to be implemented by September 2020.</p> <p>Implementation is being monitored by Internal Audit and progress is being reported to the Audit Sub-Committee.</p>
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### **7. Implementing good practice in transparency, reporting and audit to deliver effective accountability**

#### ***Implementing good practice in transparency***

- Open Data reporting under the Government's Transparency Code.
- Freedom of Information Publication Scheme.

#### ***Implementing good practice in reporting***

- 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.

#### ***Assurance and effective accountability***

- 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 Committee system.
- 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.

Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or tele conference facilities. This provision in the Act remains in force until May 2021.