

REPORT TO:	AUDIT SUB-COMMITTEE(SPECIAL)	AGENDA ITEM: 8
DATE OF MEETING:	28th JUNE 2021	CATEGORY: DELEGATED
REPORT FROM:	HEAD OF LEGAL and DEMOCRATIC SERVICES	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@southderbyshire.gov.uk	DOC: h/KS/governance/local code/update report Une 2021
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the updated Local Code of Corporate Governance as detailed in **Appendix 1** is approved for publication in the Annual Governance Statement 2020/21.
- 1.2 That progress regarding on-going work to maintain sound 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, 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 updated 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 governance system.

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 2021/22.
- Delivering a Corporate Plan (2020 to 2024) 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 a global pandemic, 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 A key impact on the Council's governance arrangements related to the decision-making process. Section 78 of the Coronavirus Act 2020 allowed Council meetings to be conducted remotely in 2020/21 through audio or teleconference facilities.

Improvements and On-Going Work

3.16 **Appendix 1** also details work completed, improvements identified, together with on-going work to ensure that the Council's governance arrangements remain sound and robust.

3.17 The main actions approved for 2020/21 included in the Council's Governance Statement from 2019/20 were as follows:

Action	Progress
To review compliance with best practice standards recommended by the Government Committee on Standards in Public Life (Principle 1).	The Council is awaiting guidance relating to a revised Members' Code of Conduct. Once the Code of Conduct document is finalised, this action will be complete.
To review outcomes from a staff survey to be conducted (Principle 1).	Some work has been progressed to undertake the survey. It had been planned to undertake this survey in 2020/21 but it has been postponed until a decision has been made on working arrangements post Covid. It is now anticipated that the survey will be undertaken 2021/22.
To implement a new Equalities, Diversity and Inclusion Plan 2020 to 2024 (Principle 2).	Completed and approved by the Council in February 2021.

To deliver the work programme for Organisational Development (<i>Principle 5</i>).	Work completed although several work streams will be on-going.
An audit of the Council's Risk System (<i>Principle 6</i>).	Completed and reported to the Committee in March 2021. An updated Risk Management Framework is being considered by the Audit Sub Committee in June 2021.
A review of the Council's Out of Hours Emergency process (<i>Principle 6</i>).	The process has been scoped and a trial is currently being undertaken to assess the effectiveness of a new system. If this is successful, a longer-term solution will be recommended for approval at Finance and Management Committee later in 2021.

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 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

<p>The Principles and the Council's systems and processes which comprise the Government Framework.</p>	<p>Improvements identified, future developments, on-going work and actions completed in 2020/21.</p>
<p>1. <u>Behaving with integrity, upholding ethical values and respecting the rule of law</u></p> <p><i>Behaving with integrity</i></p> <ul style="list-style-type: none"> • 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. <p><i>Demonstrating a strong commitment to ethical values</i></p> <ul style="list-style-type: none"> • Ethics Statement setting out Ethical Standards for Officers. • 3 Key Values contained in the Corporate Plan – <i>Pride, Respect and Excellence</i>. <p><i>Respecting the rule of law</i></p> <ul style="list-style-type: none"> • An overall Constitution which governs the Council • Regulatory Committees for Planning and Licensing. • Health and Safety Committee. • Statutory Section 151 (Finance) and Monitoring Officers (Legal) appointed to ensure compliance with the law, regulations, and procedures. • The Council complies with the Statement on the Role of the Section 151 in Local Government, evidence of which is periodically reported to the Audit Sub Committee. 	<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>Work has progressed to undertake an employee survey, in order to obtain feedback on ethics, values, culture, together with obtaining a check on communications, morale, health and well-being of staff. It had been planned to undertake this survey in 2020/21 but it has been postponed until a decision has been made on working arrangements post Covid. It is now anticipated that the survey will be undertaken 2021/22.</p>

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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

- 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. A review was undertaken in 2020 which included consultation with Members and Officers, together with interested groups and the voluntary sector. A new Strategy and Action Plan covering 2020 to 2024 was approved by the Council in February 2021. The Action plan is being monitored by the Equalities Steering Group, chaired by the Chief Executive, and includes representatives from outside bodies.

Communication: Given the growing population that the Council serves and the global movement towards “Digital Services”, the Council is reviewing how it engages with its communities.

In the Corporate Plan (2020 to 2024) 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 are being monitored in performance reports to the Finance and Management Committee.

A program of development is currently being implemented during 2021/22. This is being monitored through the corporate performance process and the Transformation Plan.

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 was updated and approved by the Finance and Management Committee in July 2020, to align it with the Corporate Plan (2020 to 2024).

The Council's **Procurement Strategy** was also updated and approved by the Finance and Management Committee in August 2020, to align it with the Corporate Plan (2020 to 2024).

An update to the Contract Procedure Rules was approved by the Council in April 2021. This reflected the Council's commitment to Climate Change, providing guidance to ensure that environmental benefits are included in tender evaluation and contract management.

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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.

The Audit Sub-Committee considered an initial assessment against the Standards in July 2020. Of 17 individual standards, it was recognised that the Council substantially complies with 16 with only one, regarding consultation with stakeholders on the Council's longer-term financial planning, not currently undertaken.

An independent assessment against the standards will be undertaken by Internal Audit later in 2021, in accordance with their approved work programme.

The Finance and Management Committee approved a Transformation Plan on 9 July 2020. The Committee also approved a Transformation Steering Group to oversee delivery of the Plan.

A VFM Statement was approved by the Finance and Management Committee on 30 July 2020, and this was reported alongside the Councils Accounts and Financial Statements for 2019/20.

5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Developing Organisational capacity

- 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 LGA and the Housing Quality Network to review resources and make recommendations for improvement.
- Peer Review undertaken in October 2019.

Developing leadership and individual performance

- Overarching Workforce Development Strategy.
- A Personal Development process with annual reviews of training needs for all Officers.
- Training and Development programs for Members and Officers which includes mandatory training courses, together with job specific, softer skills and wider management training as appropriate.

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 are:

- To review and update the Council’s values (completed) and ensure the workforce is fully engaged (on-going).
- To provide training and development opportunities for Elected Members and Senior Managers – this is in progress.
- To increase the use of Modern Apprentices in line with Government targets – this is in progress and a target in the Corporate Plan.
- To review internal communication and feedback channels to ensure all staff are kept informed.
 - ✓ A new “Core Brief” which is published for all staff monthly has been introduced.
 - ✓ The Employees Forum has been re-established.
 - ✓ The redesign of the Council’s intranet “**Connect**” was implemented in April 2021. This provides news items, features, blogging and a library for council policies and other documents for managers and staff to help them operate on a daily basis.
- To implement a new Personal Development process (completed).
- To update the Workforce Development Strategy to include succession planning. This is due to be completed later in 2021.

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6. Managing risks and performance through robust internal control and strong public financial management

Managing risk

- Risk Management Policy and Framework in place. This guides the identification and assessment of risk, together with the process for monitoring, updating, and reporting.
- Business Continuity arrangements in place in accordance with the Civil Contingencies Act
- Fraud Service delivered through a Shared Service Agreement with a neighboring council.
- Counter-fraud and Corruption Policy with an annual action plan.

Managing performance

- 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.

Robust internal control

- An established Audit Committee.
- Independent Internal Audit function provided through partnership arrangements.
- Publicised Whistleblowing Policy

Audit work was undertaken to review the effectiveness of the Council’s Risk Management arrangements. The outcomes were reported to the Audit sub-Committee in March 2021 and included four recommendations to improve the Council’s process. These recommendations have been implemented and an updated Policy Document is being reported to the Committee in June 2021.

The Out of Hours and Emergency Contact process is being reviewed for reporting and escalating issues during an emergency or business continuity incident. A trial is currently being undertaken to assess the effectiveness of a new system and if this is successful, a longer-term solution will be recommended for approval at Finance and Management Committee later in 2021.

Internal Audit undertook a review of the Council’s Anti-Fraud and Corruption procedures and reported the outcomes to the Audit-Sub Committee in June 2021. The report made three recommendations to strengthen procedures, of which two have been implemented. Subsequently, an updated Anti-Fraud and Corruption Policy was reported to the Committee in June 2021.

In March 2021, the Audit Sub-Committee considered an Internal Audit report which reviewed the effectiveness of the Council’s scrutiny function. Subsequently, Full Council received and noted the report.

The Overview and Scrutiny Committee will use this as a basis for training and setting future work programmes.

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Managing data (and ensuring compliance with the Data Protection Act 2018)

- 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.

Strong financial management

- Financial Strategy in place which sets 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.

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.

If data is advertently being collected and recorded inaccurately, this could lead to performance not being properly recorded and ultimately, incorrect decisions are made.

In September 2019, Internal Audit reviewed the Council's system for collecting and recording data to ensure that performance reports were accurately presented.

Although the Audit provided "reasonable assurance" of the system, it made several recommendations to improve processes which were implemented by December 2020.

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 through 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 allowed Council meetings to be conducted remotely through audio or tele conference facilities during 2020/21. The Council conducted meetings using the **Teams** functionality and were live streamed on the internet.