

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>8 DECEMBER 2021</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> h/KS/governance/local code/update report Dec 2021
<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 approved.
- 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 for local authorities.
- Delivering a Corporate Plan (2020 to 2024) which was adopted in October 2019.
- Adapting service delivery and working arrangements post Covid-19.

### Improvements and On-Going Work

3.14 **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.

3.15 The main actions approved for 2021/22 included in the Council's Governance Statement from 2020/21 were as follows:

Action	Progress
<p>To review and update the Member's Code of Conduct.</p> <p><b>Principle 1</b></p>	<p>Following changes at a national level which will impact the local review, the action will be completed over the remainder of the year.</p>
<p>To review outcomes from a staff survey.</p> <p><b>Principle 1</b></p>	<p>Work has progressed to undertake an employee survey, to obtain feedback on ethics, values, and 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 was postponed until a decision has been made on working arrangements post Covid-19.</p> <p>A review of working arrangements is currently on-going with reports to the Finance and Management Committee and consultation with staff to develop a fixed/flexible working model.</p> <p>Therefore, it is now planned that the survey will be undertaken in 2022/23.</p>
<p>An Audit review of compliance with the Financial Management Code.</p> <p><b>Principle 4</b></p>	<p>In 2020, a new Code of Practice was introduced, setting a set of standards that govern financial management and to ensure that local authorities can demonstrate their financial sustainability.</p> <p>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.</p>

	An independent assessment against the standards was recently undertaken by Internal Audit in accordance with their approved work programme and is being reported separately to the Audit Sub-Committee.
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#### **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><b>The Principles and the Council’s systems and processes which comprise the Government Framework.</b></p>	<p><b>Improvements identified, future developments, on-going work and actions completed in 2020/21.</b></p>
<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 Officer in Local Government, evidence of which is periodically reported to the Audit Sub Committee.</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, the Code recommends that this is subject to a separate review.</p> <p>Work has progressed to undertake an employee survey, 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 was postponed until a decision has been made on working arrangements post Covid-19.</p> <p>A review of working arrangements is currently on-going with reports to the Finance and Management Committee and consultation with staff to develop a fixed/flexible working model.</p> <p>Therefore, it is now planned that the survey will be undertaken in 2022/23.</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. Details of complaints, etc. received are publicised on the Council's web site and reviewed by Finance and Management Committee every six months.

**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, which includes people from outside bodies and representative groups.

**Communication:** 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 on a quarterly basis.

Following a review by the Housing Ombudsman, the Complaints Policy and Procedure was updated and approved by Finance and Management Committee in June 2021.

**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.

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.

**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 in service proposals.
- 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**

In 2020, a new Code of Practice was introduced, setting a set of standards that govern financial management and to ensure that local authorities can demonstrate their financial sustainability.

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 was recently undertaken by Internal Audit in accordance with their approved work programme and will be reported separately to the Audit Sub-Committee.

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<p><b>5. <u>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</u></b></p> <p><i>Developing Organisational capacity</i></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, together with employee engagement.</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><i>Developing leadership and individual performance</i></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, softer skills and wider management training as appropriate.</li> </ul>	<p>Workforce Development Strategy to be reviewed in 2022.</p> <p>Focus on increasing opportunities for Modern Apprentices and progress is currently being reported to the Finance and Management Committee.</p>
<p><b>6. <u>Managing risks and performance through robust internal control and strong public financial management</u></b></p> <p><i>Managing risk</i></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. This is delivered in partnership with Derbyshire County Council.</li> </ul>	<p>Updated Policy approved by the Audit Sub-Committee in June 2021.</p> <p>The Out of Hours process has been reviewed for reporting and escalating issues during an emergency or business continuity incident. A trial has been undertaken of a new system and it expected that proposals for change will be reported to the Finance and Management Committee later in the year.</p>

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- 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

### ***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.

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 which have been implemented. Subsequently, an updated Anti-Fraud and Corruption Policy was approved by the Audit Sub-Committee in June 2021.

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<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><b><u>7. Implementing good practice in transparency, reporting and audit to deliver effective accountability</u></b></p> <p><b><i>Implementing good practice in transparency</i></b></p> <ul style="list-style-type: none"> <li>• Open Data reporting under the Government’s Transparency Code.</li> <li>• Freedom of Information Publication Scheme.</li> </ul> <p><b><i>Implementing good practice in reporting</i></b></p> <ul style="list-style-type: none"> <li>• Annual Report produced and publicised.</li> <li>• Annual Statement of Accounts detailing how public funds have been utilised.</li> <li>• Annual Pay Policy Statement published.</li> <li>• Equality and Diversity Annual Report.</li> </ul> <p><b><i>Assurance and effective accountability</i></b></p> <ul style="list-style-type: none"> <li>• Scheme of Delegation in place from Full Council, down to Policy Committees and through to Officers.</li> <li>• Senior Leadership Team and Heads of Service accountable to Members through the Committee system.</li> <li>• Service planning process in place which assigns responsibilities at an individual level.</li> <li>• All service-related action plans and recommendations from Audit have a designated responsible officer.</li> </ul>	<p>Updated Freedom of Information Policy and Publication Scheme approved by the Finance and Management Committee in October 2021.</p>