



Annual Governance Statement 2017/2018



What is Governance in Derby City Council?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

The Council approved a new local Code of Corporate Governance in March 2017. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE.

The overall aim of the Local Code of Corporate Governance in Derby City Council is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making;
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

A copy of the authority's 2016/17 Local Code is available on our website at www.derby.gov.uk.

This Annual Governance Statement (AGS) for 2017/18 demonstrates how the Council has complied with its local code and meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, which require the Council to prepare an annual governance statement.

What is the purpose of the Council's Governance Framework?

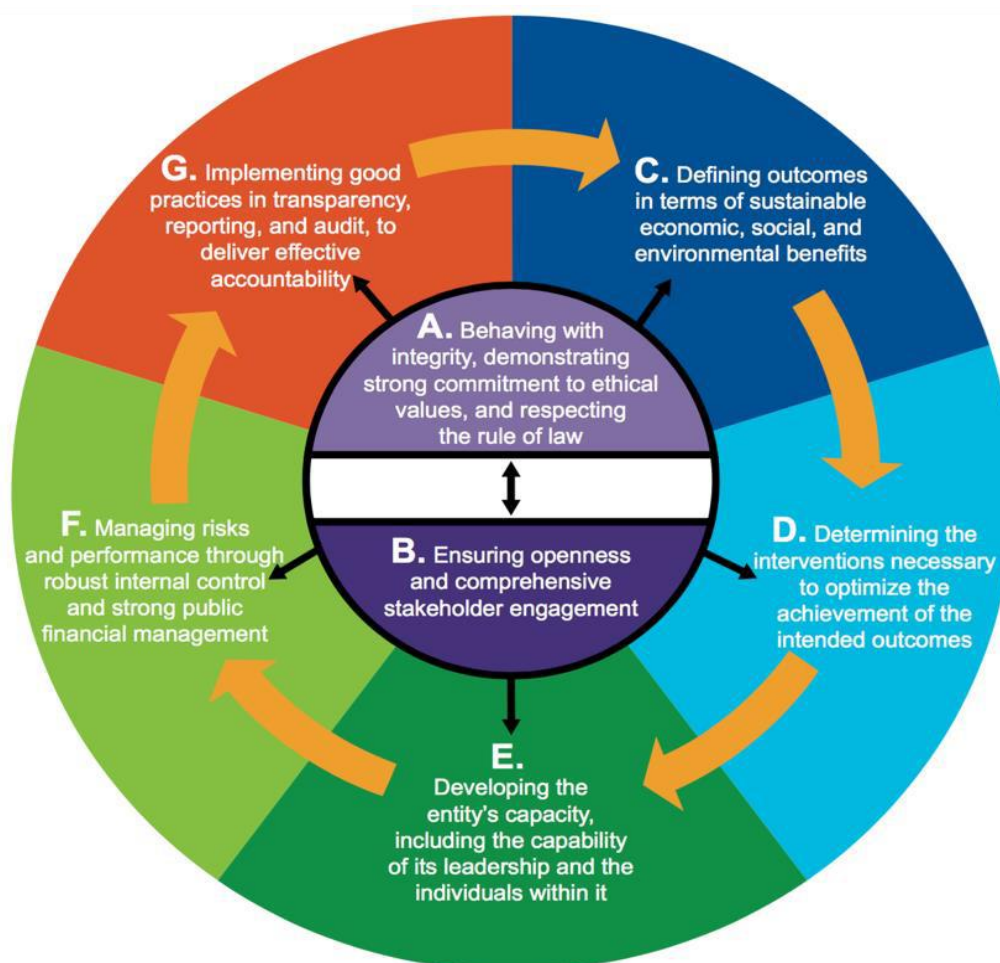
The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

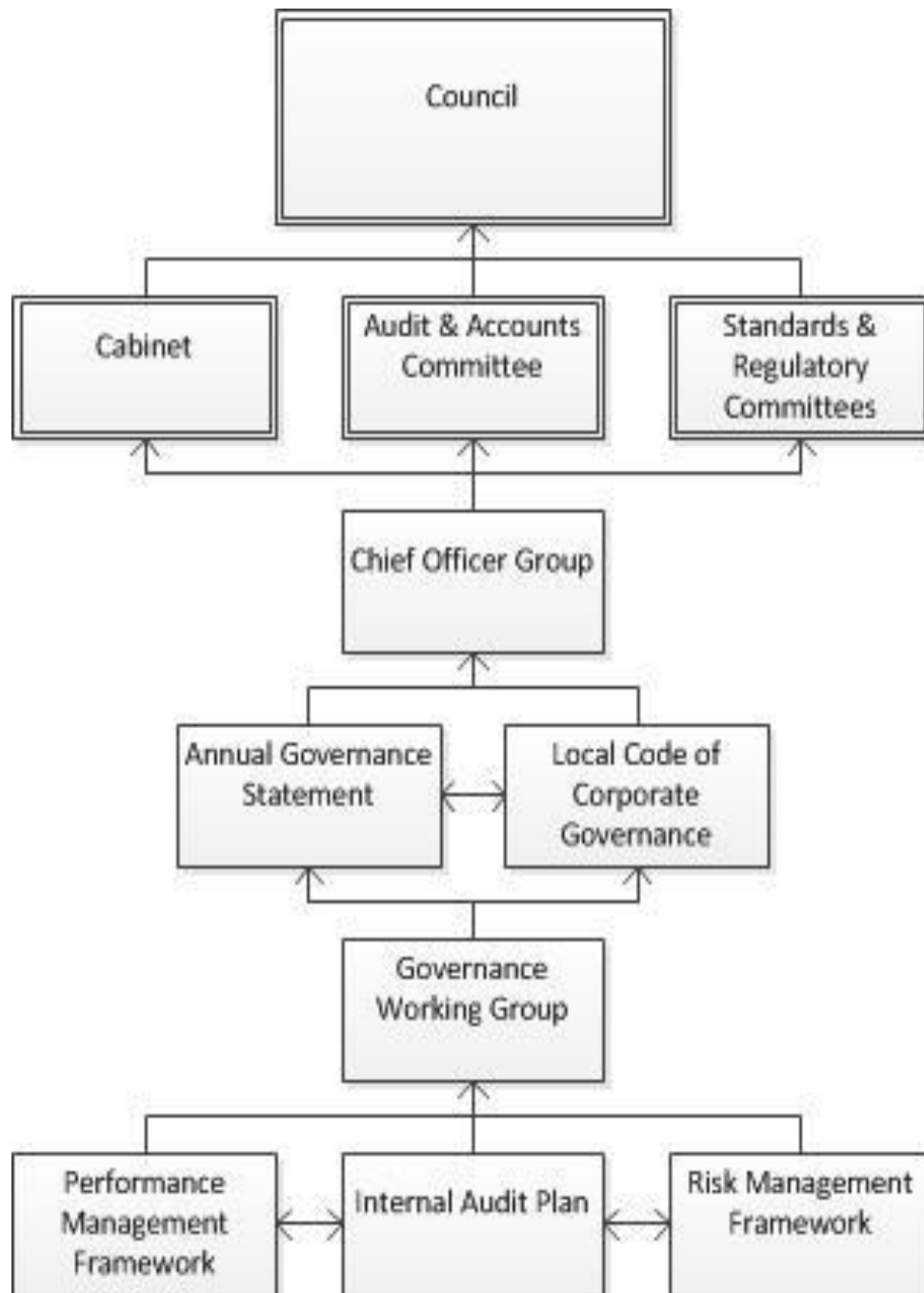
The system of internal control in Derby is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an on-going process designed to identify and prioritise risks, evaluate the likelihood and impact should risks be realised, and efficiently, effectively and economically manage such risks.

The framework below envisages it will be a continuous process of seven principles with a core of A and B being about the behaviours of integrity demonstrating a strong commitment to ethics and respecting the rule of law with practices being carried out in the spirit of openness and comprehensive stakeholder engagement.



Source: CIPFA/SOLACE

What is the Council's governance structure?



What is the Council's Governance Framework?



What Does the Council's Governance Assurance Framework look like?

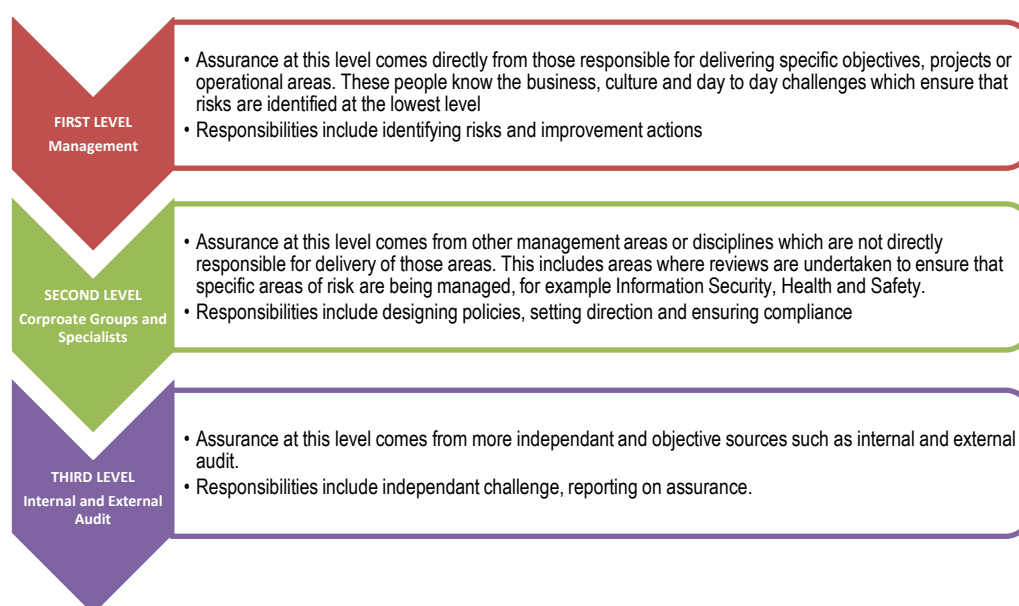
Good assurance in any organisation provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

The Assurance Framework in the Council is the structure within which Elected Members and Senior Management identify the principal risks to the Council in meeting its key objectives, and through which we map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The Council's assurance framework underpins the statements made within this Annual Governance Statement.

On the back of several critical external reports, in 2016/17, the Council commenced a review of its governance assurance process as it was evident that this process was not up to standard.

The existing process had not been sufficiently robust enough to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. The review identified how there needed to be more corporate grip as well as overview and oversight and robust challenge from the Council's Statutory Officers including the Chief Executive, the s151 Officer and the Monitoring Officer and this has been and is continuing to be progressed through the Council's Corporate Improvement Plan which is being performance managed through the Corporate Improvement Board chaired by the lead Cabinet Member for Governance and includes the Acting Chief Executive and Strategic Director of Corporate Resources on the Board.

In addition, the importance of the Institute of Internal Auditors' 'three lines of defence assurance model' has been put back in place to make it explicitly clear and assist Elected Members and Senior Management to understand where assurances are being obtained from, the level of reliance they can place on that assurance and identify potential gaps in assurance so that corrective action can be taken in a timely manner.



Assurance can come from many sources within the Council. The Council's Governance Working Group, chaired by the Council's Strategic Director of Corporate Resources is responsible for mapping out where those assurances are coming from in order to identify any gaps. The Working Group will give Chief Officer Group the assurance it needs and in turn provide assurance to the Audit and Accounts Committee.

The Council uses the Three Lines of Defence model of assurance within its governance framework, enabling it to understand how each contributes to the overall level of assurance and how best they can be integrated and mutually supportive as shown below.

How has this Annual Governance Statement for 2017/18 for the Council been prepared?

Because the Council was unable to approve the 2016/17 Statement of Accounts until 19 December 2017, the publication of the 2016/17 Annual Governance Statement was also delayed until that date. This meant that governance issues which arose between 1 April 2017 and the publication date were included in the 2016/17 Annual Governance Statement.

In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council will continue to review the effectiveness of its governance arrangements on an ongoing basis and report on the position annually. The key sources of assurance that inform this review are outlined below:

- The work of the Standards Committee enables the Council to assess whether good governance actions and behaviours are operating within the Council;
- The work of Elected Members (Cabinet and Audit and Accounts Committee) and Senior Officers (Chief Officer Group which includes the 3 statutory officers) of the Council who have responsibility for good governance;
- The Head of Internal Audit's annual report on Internal Audit Activity 2017/2018, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- Regular updates to Audit and Accounts Committee on Risk Management activity for 2017/2018
- Performance monitoring of key deliverables in the Council Plan as well as key performance indicators as can be seen in the latest reports to Cabinet - <https://www.derby.gov.uk/council-and-democracy/performance/council-performance/>
- Challenge through Overview and Scrutiny (for example topic reviews, performance items and surgeries) as can be seen in the reports to [Executive Scrutiny Board](#).

- Inspections and assessments (such as Ofsted Inspection of Local Authorities Children's Services Framework and Sector Led Improvement activity in Children's and Adults Services) as can be seen in the reports shown at <https://www.derby.gov.uk/council-and-democracy/performance/external-assessments/>
- Any comments made by the Council's External Auditors in their Value for Money Opinion; and
- Recommendations and comments made by any other review agencies and inspectorates.
- Customer insight through complaints, the media and Freedom of Information requests.

How does the Council know that our arrangements are working?

Governance Principle	Sub-Principle	Assurance on Compliance
Acting in the public interest requires a commitment to effective arrangements for:		
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	1. Behaving with integrity	<ul style="list-style-type: none"> ➤ The Council's political and managerial leadership sets the tone for the Council. Through this leadership the Council ensures that the required policies are put into place and monitored. ➤ The Officer/Member Protocol which forms part of the Constitution sets out the way Members and Officers should interact. ➤ Training is provided to Members who are involved in a number of committees including Licensing, Audit & Accounts Committee and Planning. ➤ The Code of Conduct for Elected Members also forms part of the Council's Constitution. ➤ Standards Committee produces an Annual Report to Council which includes a synopsis of Code of Conduct related complaints received during the Municipal Year in respect of Elected Members.
	2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ➤ In accordance with the Localism Act 2011 the Council has adopted a Code of Conduct for its elected Members that is in keeping with the general principles of public life. All elected and co-opted Members undertake that they will observe the Code of Conduct. ➤ Training on the ethical standards framework is provided to all Members and training is provided on an annual basis immediately following the local elections which are by way of thirds. ➤ The Standards Committee monitors and reviews the Members' Code of Conduct and prepares an annual statement to Full Council. ➤ There is active review and recommended changes have been made to the Council's local arrangements for managing Standards complaints. The new 'Complaints against Councillors' policy was unanimously agreed by Full Council on 23 May 2018.

Governance Principle	Sub-Principle	Assurance on Compliance
	3. Respecting the rule of law	<ul style="list-style-type: none"> ➤ Codes of Conduct set out the standards of behaviour that are expected of our Members and Officers. Should these standards be breached they will be dealt with, either through the Member Code of Conduct complaints process or, in relation to Officers, action taken under the Councils capability and/or disciplinary procedures. ➤ The Whistleblowing Policy adopted by the Council ensures its effectiveness from a safeguarding perspective and to make it easier for staff to raise concerns about malpractice or illegal activity. The Policy contains clear guidance about how to report a concern, who to contact and sources of internal and external support. ➤ The Whistleblowing Policy is complemented by the Anti-Fraud and Corruption Policy, the Anti-Bribery Policy and the Anti-Money laundering Policy.
Principle B Ensuring openness and comprehensive stakeholder engagement.	1. Openness	<ul style="list-style-type: none"> ➤ The Council is committed to openness and publishes information online in accordance with the provisions of the Local Government Transparency Code and the Freedom of Information Publication Scheme. ➤ The Council has in place procedures which allow, within certain parameters, the recording and filming of Council meetings. ➤ Only a minimal number of reports are considered in closed session (known as Part II) and for the majority of these reports there is a public facing report (known as Part I) which sets out the matter to be decided upon, but without the information that is exempt from publication. ➤ In June 2017, the Council had an LGA Corporate Peer Challenge which included a review of the Council's leadership and governance.
	2. Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> ➤ The Council engages with large numbers of stakeholders. It has a comprehensive engagement system with statutory stakeholders such as the NHS, CCG, Derbyshire Constabulary and Derbyshire Fire and Rescue Service. The Council has further subject based stakeholders particularly economic development such as the Local Enterprise partnership (LEP), Derby

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		Nottingham Metro and Renaissance Board.
	3. Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> ➤ Local focus and community engagement is successfully promoted through Neighbourhood Forums and Boards within a number of wards. ➤ Public consultation is undertaken on specific areas of service, or on matters that may have a substantive impact on residents. The Council's Communications and Consultation Team ensure that specific matters are placed in the media and engage with the media over enquiries on specific matters.
In addition to the overarching requirements for acting in the public interest found in principles A and B, achieving good governance also requires a commitment to, and effective arrangements for:		
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.	1. Defining outcomes	<ul style="list-style-type: none"> ➤ The “Derby Plan 2030: A safe, strong and ambitious city” brings together the key partners across the city to promote: <ul style="list-style-type: none"> ○ Safe – a place where people are safe and the vulnerable are put first and supported; ○ Strong – a place where people work together, can enjoy good health and wellbeing throughout their life and feel that they belong to a thriving community; ○ Ambitious – a place where we support our children and young people to achieve their full potential, skills are valued, jobs and businesses are growing and we have the infrastructure to create a city for the future. ➤ Delivery of partnership priorities through partnership boards and strategies (for example Health and Well-being strategy, Children and Young People’s Plan). https://www.derby.gov.uk/council-and-democracy/vision-derby/working-in-partnership/ ➤ The Council Plan 2016-2019 describes our priorities, resources and how we will monitor progress. ➤ Production of an annual report to publicise and provide evidence to the local

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		<p>community on its achievements and progress made in delivering its Council Plan priorities and demonstrating value for money.</p> <p>https://www.derby.gov.uk/council-and-democracy/vision-derby/annual-report/</p> <ul style="list-style-type: none"> ➤ Improved pre-decision scrutiny through the Executive Scrutiny Board (ESB) means that recommendations from ESB are now received at every meeting of Cabinet so as to ensure greater degrees of effectiveness and challenge to the Cabinet's decision making. ➤ A more robust Medium Term Financial Plan (MTFP) which aligns available resources to the activities of the Council and setting out the financial plans for the future. A Chief Officer Group (COG) MTFP 2019/20 – 2022/23 Workshop was held on 25 April to start the process for agreeing a MTFP Strategy that will be taken to a Cabinet/COG MTFP Workshop in June for Cabinet to consider in July 2018. This timetable has also been agreed by the Council's new Conservative administration.
	2. Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Business plans have been agreed which include clear objectives, measures and risks that are actively managed during the year and inform the setting of individual 'Managing Individual Performance' (MIP) objectives.
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes.	1. Determining interventions	<ul style="list-style-type: none"> ➤ Corporate Improvement Board chaired by the Cabinet Member for Finance & Governance meets monthly to review priorities and progress in delivering key actions. ➤ Review and challenge through departmental management team (DMT) led Improvement Boards in key areas and 'Mocksted' reviews where appropriate. ➤ Quality assurance - examples of good practice exist at service level e.g. Children's Services. ➤ Regular challenge from inspectorates such as Ofsted and Care Quality Commission (CQC). We received a 'Good' rating from Ofsted in 2017 for the

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		<p>Children's Services Single Inspection Framework inspection (including 'Good' for Leadership, Management and Governance).</p> <ul style="list-style-type: none"> ➤ Sector Led Improvement (SLI) challenge from regional peers in Children's and Adults' services. ➤ Active Executive Scrutiny performance forward plan focused on Council Scorecard / Council Plan outcomes ➤ Performance Surgeries held to evidence challenge and drive improvement.
	2. Planning interventions	<ul style="list-style-type: none"> ➤ Performance, audit and finance information is used to identify areas of concern and plan required interventions. ➤ There is an annual cycle of meetings that are planned through the municipal year, but internal procedures are flexible enough for Members to intervene, such as via call in or the calling of extraordinary meetings, at any point in the year.
	3. Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ➤ Outcomes are monitored on a regular basis and open to scrutiny. Matters which are formally project managed are required to be reported upon to the project teams at regular intervals. The performance framework ensures capacity is considered in balancing priorities against affordability and social value. ➤ Service planning and objectives within the Managing Individual Performance system respectively set the objectives for the year for services and individual members of staff and the outcomes of these are reviewed regularly. ➤ A Corporate Project Management Framework is in place. ➤ Gateway process introduced during the year. ➤ The Council's Chief Officer Group has strategic oversight of major issues affecting the Council.
Principle E Developing its capacity, including the capability of its leadership and the individuals	1. Developing the entity's capacity	<ul style="list-style-type: none"> ➤ The Head of Paid Service is responsible for the organisation of the Council's staff. ➤ In December 2017 a Senior Management Restructure was commenced to increase resilience and re-introduce the posts of Strategic Director of

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within it.		<p>Resources and Director of HR as well as the creation of a post of Director of Property. This restructure will affect Tiers 1-3. Phase 1 is underway, with Phase 2 due to start in the Summer of 2018.</p> <ul style="list-style-type: none"> ➤ The Council uses a Managing Individual Performance (MIP) system which comprises of the development of objectives and personal development plan through which every member of staff has a clear direction for the year against which they are appraised. This identifies strategic and operational objectives, alongside the role profiles for each post and for development capacity. The process also involves appraisal by way of regular reviews of performance of those objectives including formal mid-year and end of year reviews. The end of year review and contribution rating awarded is indicative of how well each member of staff is performing. ➤ Development and monitoring of workforce development plans.
	2. Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> ➤ The Council has a programme of training available for both Elected Members and Officers (at all levels). ➤ All new starters are required to undertake an induction programme. ➤ There is mandatory training for all staff on key policies via the e-Learning system. ➤ Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies.
Principle F Managing risks and performance through robust internal control and strong public financial management.	1. Managing risk	<ul style="list-style-type: none"> ➤ The Council's Risk Management Policy, Strategy and Handbook has been reviewed and updated in March 2018. ➤ Risk management training has been rolled out to senior officers and members of the Audit & Accounts Committee. ➤ A Corporate Risk Management Group has been established, chaired by the Strategic Director of Corporate Resources. ➤ Risks are regularly monitored on a corporate, departmental and service basis and this process has been reviewed for 2018/19.

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> ➤ Risk is considered as part of the standard decision-making template. ➤
	2. Managing performance	<ul style="list-style-type: none"> ➤ Principal performance targets are captured within the Council's Performance management system (DORIS) and are subject to review (including Council Delivery Plan, Council Scorecard and Departmental business plans). Individual projects have their own targets and performance reviews set within them and are reported via the projects teams as required. ➤ Performance management is reported on a quarterly basis to the Cabinet, the Chief Officer Group and Executive Scrutiny Committee
	3. Robust internal control	<ul style="list-style-type: none"> ➤ Preventative procedures are in place which include the segregation of duties, approval/authorisation process, security of assets and regular reconciliations ➤ Assurance is gained through regular internal audits and reporting. ➤ The Council's Internal Audit Service has received an independent external review which ensured the service conforms with the Public Sector Internal Audit Standards (PSIAS)
	4. Managing data	<ul style="list-style-type: none"> ➤ The Council has in place a suite of Information Governance Policies and Procedures that are monitored by the Information Governance Team. ➤ The Council has senior officers who fulfil the roles of the Senior Information Risk Owner and the Caldicott Guardian. ➤ All Council staff and Elected Members are required to undertake mandatory e-Learning training on information governance. ➤ The importance of reporting breaches of Data Protection legislation is well publicised throughout the Council.
	5. Strong public financial management	<ul style="list-style-type: none"> ➤ The Council has a budget setting process with the Budget and Medium Term Financial Plan decided annually by Council. ➤ The Finance Strategy sets the overall direction for how the Council will fund its activities and invest in the future. ➤ The Council has in place a statutory Section 151 Officer with finance teams that support the budget holders.

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> ➤ Financial Procedure Rules and Contract Procedure Rules are in place and regularly updated.
Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	1. Implementing good practice in transparency	<ul style="list-style-type: none"> ➤ Agendas for all Council meetings are publically available on website ➤ The council complies with the local Government Transparency Code 2015, publishing required information at https://www.derby.gov.uk/council-and-democracy/open-data-and-freedom-of-information/open-data-transparency/ ➤ The Council complies with The Openness of Local Government Bodies Regulations 2014. ➤ The Council has a Whistleblowing Policy in place.
	2. Implementing good practices in reporting	<ul style="list-style-type: none"> ➤ The Council has in place comprehensive procedures for the making of decisions, either by Full Council, Committee, Cabinet or individual decisions made by Directors and Cabinet Members. ➤ All reports are taken through Democratic Services and require clearance by legal and finance as a minimum. ➤ Reports for Council, Committees and Cabinet business and minutes of these meetings are available on the Council's website, save for reports which contain information that is exempt from publication.
	3. Assurance and effective accountability	<ul style="list-style-type: none"> ➤ The Council's Constitution sets out the executive arrangements and the roles and responsibilities of the Leader of the Cabinet, the Cabinet and each of the Cabinet Members individually and the roles and responsibilities of other Council Members. ➤ The Constitution sets out the functions of Council, Cabinet and the various committees. ➤ The Council has an effective Scrutiny function with a number of Scrutiny Committees whose responsibilities are also set out in the Constitution. ➤ The principal roles and responsibilities of the Chief Executive and senior officers, including the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer, are set out in the Constitution.

What specific assurances does the Council receive?

Whilst a number of assurances have been obtained to support this conclusion, it is important that the following specific assurances are considered to support this statement:

1. Chief Financial Officer (Section 151 Officer)

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns.

2. Monitoring Officer

The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report.

3. Head of Internal Audit

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Audit Manager is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, internal control, counter fraud and governance processes.

The Audit Manager is satisfied that sufficient work has been undertaken to allow her to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2017/18 and other sources of assurance, the Audit Manager has provided the following opinion on the Council's risk management, internal control, counter fraud and governance processes, in operation during the year to 31 March 2018:

"I can confirm that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of Derby City Council's internal control environment."

“Based on the work undertaken during the year, in my opinion, Derby City Council’s framework of governance, risk management and management control is ADEQUATE SUBJECT TO RESERVATIONS.”

The key factors arising from audit work undertaken contributed to the “adequate but subject to reservation” on the opinion were:

- For 20% of audit reviews undertaken, Internal Audit offered a limited assurance opinion in relation to the adequacy of the control environment.
- Significant security failings identified in ICT application systems reviewed which may have implications with the more stringent requirements of the General Data Protection Regulation which came in force at end of May 2018.

Full details on the assurance provided by the Audit Manager are detailed within the Internal Audit Annual Report for 2017/18.

Under the Public Sector Internal Audit Standards, the Council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. An independent assessment against the Public Sector Internal Audit Standards was undertaken in February 2017 and identified 3 areas of non-conformance. This was revisited in September 2017 when it was identified that the service had made the necessary improvements and was by then conformant with the Standards and the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in Local government (CIPFA publication).

Governance issues facing the Council

The Council has faced ongoing governance and accountability issues over the past few years. Grant Thornton, the Council’s previous external auditor, issued a report in the Public Interest in 2016 which related to concerns about the management of a number of major projects and to member conduct during 2013/14 and 2014/15. In June 2017, Ernst & Young, the Council’s current external auditor, issued a Section 24 Report including recommendation relating to concerns of slow progress in dealing with fundamental issues on the council’s internal control environment. Ernst & Young had concerns about “the council’s ability to effectively demonstrate it has proper arrangements to safeguard and make informed decisions in respect of public funds and assets”.

Progress has been made since the Report in the Public Interest was published, however, the Council still needs to make further improvements to its financial systems and control environment. There is clear evidence that these required improvements are being actioned.

What were the key governance issues arising in 2017/18?

The review of the effectiveness of the Council's governance framework has identified the following actions that have already started to be addressed during 2018/19.

- During 2017/18, the three statutory officers all left the Council. Currently the Council has an acting Chief Executive, an interim s151 Officer and an interim part time Monitoring Officer.
 - A new Chief Executive and Head of Paid Service has been appointed and will commence in the role on 1 August 2018.
 - An Interim Strategic Director of Corporate Resource (the Council's s151 Officer) commenced on 1 February 2018. The contract for this role has been extended to 31 July 2019 to ensure continuity.
 - An Interim Monitoring Officer (MO) commenced on 9 April 2018 and plans to recruit to a new Director Legal and Democratic Services post that will include the Monitoring Officer role are in place as part of the Council's Phase 2 Senior Management Restructure.
- Issues arising from the Local Government Association Corporate Peer Challenge (June 2017) – eleven recommendations were made which are being addressed through the Corporate Improvement Plan. <https://www.derby.gov.uk/council-and-democracy/performance/external-assessments/> Key issues related to partnership working, management capacity and member / officer working relationships. Progress has been made with a new Partnership vision 'closing the gap' being endorsed by Council Cabinet in March 2018. The new Safer Communities Board met in May 2018 and a Partnership Symposium will be held on 14 June 2018. Regarding member / officer relationships, over 100 staff received LGA training on 'working in a political environment' with positive feedback. The political group training will take place during the autumn.
- A52 Wyvern Transport Improvements scheme – it was reported to Cabinet on 13 June 2018 that since the main project works started on site there have been very significant unforeseen cost increases in relation to the works carried out to date, and it was forecast that there will be further cost increases before the project is complete. Cabinet agreed to support the initiation of an internal, independent investigation into the project to determine the reasons for such a significant and unforeseen problem occurring on this project. This is being led and coordinated by the internal audit team.

There are some value for money (VFM) governance issues that are being addressed that will be considered by Ernst & Young in their VFM opinion for 2017/18.

Progress on Improvement Areas Arising from the 2016/17 Annual Governance Statement

There were seven “areas requiring focus” identified in the 2016/17 Annual Governance Statement:

- Report issued by Ernst & Young pursuant to s24 Local Audit & Accountability Act 2014 – The action plan was closed off as being delivered in full by the Audit and Accounts Committee in March 2018. However, the Committee is still waiting for independent assurance from Internal Audit that the controls have been embedded as part of the routine financial reporting process.
- Equal Pay - On 1 June 2016, the Council implemented Job Evaluation which exposed the Council to heightened risks of equal pay claims, especially from the schools based workforce which is the subject of this implementation for the first time (unlike the non-schools based workforce). A growing number of equal pay claims have now been issued against the Council and experienced external legal advisers have been appointed to manage the claims on the Council’s behalf.
- Risk Management – The Council procured the services of a risk management consultant from Zurich Municipal to review the Council’s risk management framework and to provide an overhaul of Risk Management Policy, Strategy and Handbook, specific risk training and a refresh of the strategic risk register. All recommendations have been implemented.
- Taxi Licensing Arrangements – New arrangements are now in place.
- People Services (regarding recent case law impacting on the liability of Local Authorities in respect of the experiences of former foster children placed in local authority foster placements) - Work continues to support foster carers and recruitment remains a priority for the Council with all necessary actions being taken
- Code of Conduct for Elected Members – a revised process for considering complaints about Councillors has been approved by Council on 23 May 2018.
- Senior Management Restructure – Phase 1 is well under way. Phase 2 is due to start in Summer 2018.

The Council is able to report that good progress has been made to advance these areas with the majority of actions being completed. There are a few areas where further work is still on going, and as such, this work has been included within the action plan for the 2017/18 AGS. Note these actions are highlighted with an * for ease of reference.

The following areas have also been subject to review/improved procedures during 2017/18:

- Sickness absence/well-being – outturn has improved from 14.2 days in 2016/17 to 12.8 days in 2017/18. A Project Group is delivering an action plan to raise the profile of health and well-being as well as focus on hot spots.
- The Policy Group has undertaken a review of the Council's policy register and produced a decision making summary to increase understanding of the process and clarify roles and responsibilities. Various director and manager briefings have taken place to raise awareness in January and April 2018.
- Staff engagement – following the staff survey in 2017, a strategic communications forward plan has been established to coordinate briefings and discussion across Directors and Heads of Service to managers and employees.
- There has been an active Scrutiny performance forward plan during 2017/18 (covering areas such as homelessness, social care, regeneration and jobs).
- Performance Surgeries have continued to drive improvement (including sickness absence, child protection plan rates and Single Inspection Framework recommendations in 2017/18).
- Information Governance – Freedom of Information requests and Subject Access Requests have seen improved performance during 2017/18.
- General Data Protection Regulations (GDPR) preparations - The Information Governance Team has been restructured so as to be equipped to meet the demands of the GDPR from 25 May 2018.

What are the Council's key governance development priorities for 2018/19?

- A more effective Audit and Accounts Committee by providing more support and better quality reporting from the Council's Chief Internal Auditor and Team. A new chair and vice chair together with a refreshed committee was approved by Full Council on 23 May 2018. The Committee has been enhanced by the addition of 2 independent members.
- Ongoing delivery of the Corporate Improvement Plan with specific focus on effective member-officer working relationships, risk management, organisational development and Medium Term Financial Plan.
- The council's decision-making governance structure is presently subject to review. Councillors expressed an intention to give serious consideration to the Council adopting the 'committee system' of decision-making from next May, with a majority

of those voting at the Annual Meeting in May minded towards its implementation. To ensure the matter is properly aired and all options for its implementation (or otherwise) are considered, a cross-party working group has been established and has begun the review. It is anticipated that any proposals to explore adopting the committee system are likely to be considered by Council in November 2018 with a view to potential approval in March 2019 for implementation in May 2019.

- Given the significant issues within the A52 project, there is a need to review the governance arrangements in place for all high value capital projects and to assess the controls around how the Council manages and delivers such projects.

Assurance Opinion

The Council's governance framework has been under close scrutiny for the previous two years 2015/16 and 2016/17.

The formal review of the governance arrangements across the City Council and overall compliance with the Council's Local Code of Corporate Governance has been informed by internal assessment and the work of external audit and the Corporate Peer Challenge.

The Council has acted positively to the governance issues raised in the Report in the Public Interest, the s24 Recommendation and the Corporate Peer Challenge. We have made, and will continue to make, improvements to the Council's governance framework to ensure it is fit for purpose.

We are satisfied that this statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015 - to prepare an annual governance statement to accompany the 2017/18 Annual Statement of Accounts.

Councillor Christopher Poulter
Leader of the Council

Carole Mills
Chief Executive

8 August 2018
Signed on behalf of Derby City Council