



# Annual Governance Statement 2023/2024

*Final version - February 2025*



## What is Governance in Derby City Council?

Governance is about how we ensure that we are 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 from Derby taxpayers
- public engagement and outcomes for our citizens, businesses and service users.

The context for local government remains dynamic in light of longstanding reductions in funding, increasing demands for services and inflationary pressures. Local authorities are facing unprecedented budget challenges with a growing number of S114 notices (and warnings) being issued. Our governance framework remains paramount in ensuring appropriate financial sustainability and sound decision making. The Annual Governance Statement is a key document which evidences how the Council maintains high standards of governance and addresses significant shortcomings and risks.

We 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 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 to achieve the desired outcomes for service users and communities.

A copy of our Local Code is available on our website at [www.derby.gov.uk](http://www.derby.gov.uk)

This Annual Governance Statement (AGS) for 2023/24 demonstrates how we have complied with our local code and met the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which requires us to prepare an annual governance statement.

## What is the purpose of our Governance Framework?

Our governance framework aims to ensure that in conducting our business, we:

- operate in a lawful, open, inclusive and honest manner
- make sure public money is safeguarded, properly accounted for and spent wisely
- have effective arrangements in place to manage and control risk

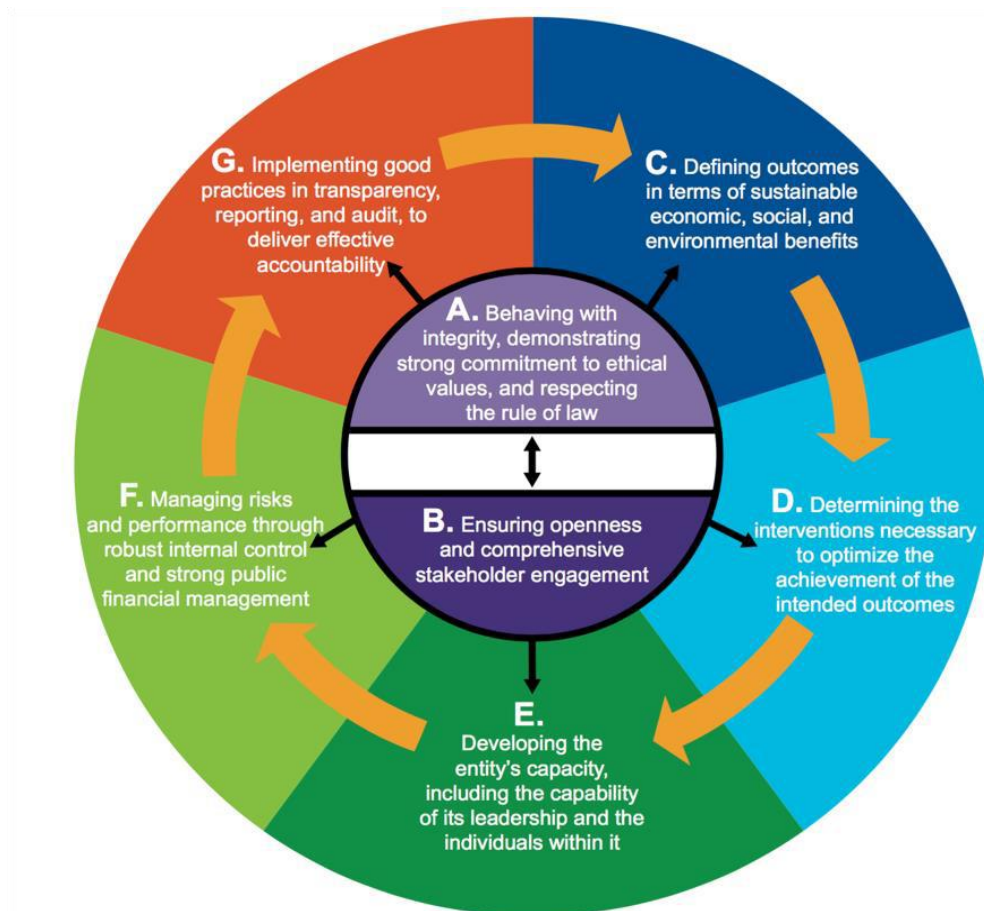
- secure continuous improvements in the way we operate.

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

Our system of internal control 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.

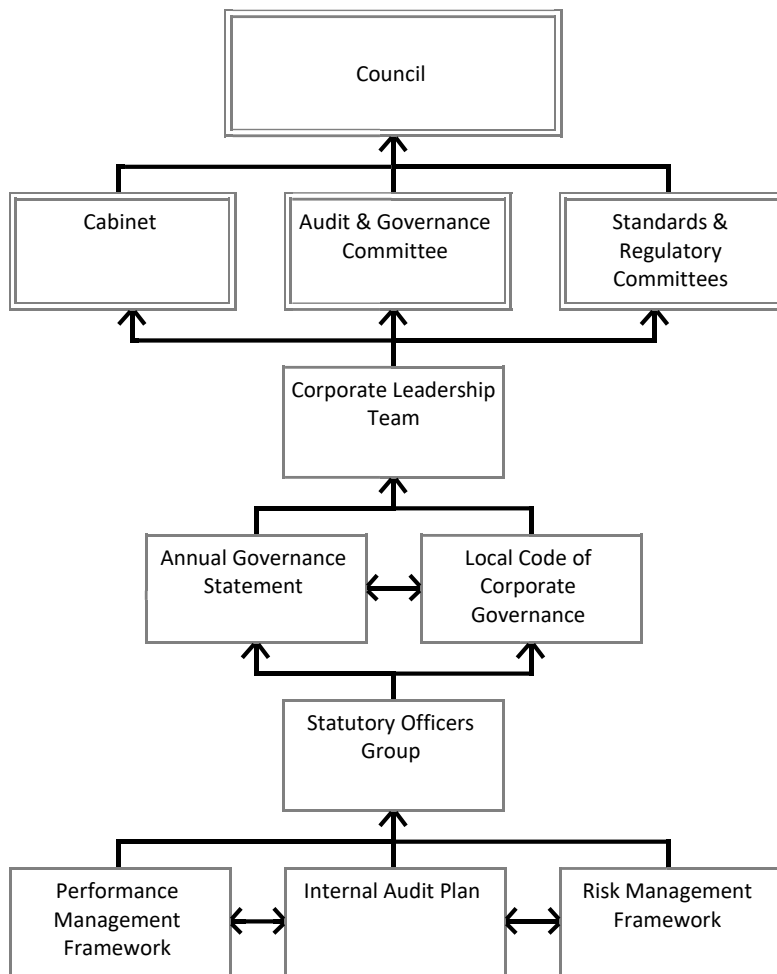
The "Delivering Good Governance" framework below, envisages there will be a continuous process of applying the seven principles, with two principles at the core of this process. They are:

- A - Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law
- B – Ensuring openness and comprehensive stakeholder engagement.



Source: CIPFA/SOLACE

## What is our Governance structure?



## What is our Governance Framework?



## **What Does Our 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.

Our assurance framework is the structure within which Councillors 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. Our assurance framework underpins the statements made within this Annual Governance Statement.

Assurance can come from many sources:

- (a) Internal: Self Assurance Statements, Corporate Leadership Team, Internal Audit Reviews, Scrutiny, Audit and Governance Committee, Service Reviews, Statutory Officers Group
- (b) External: Inspections, External Audit, National Fraud Initiative, Partnerships.

## **How has this Annual Governance Statement for 2023/24 been prepared?**

In preparing this Annual Governance Statement we have:

- reviewed our existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance
- assessed the effectiveness of our governance arrangements against the Local Code of Corporate Governance
- reviewed External Assessments
- Self-Assurance Statements from all Directors.

## **How do we monitor and evaluate the effectiveness of our Governance arrangements?**

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

- work of Councillors (Cabinet and Audit and Governance Committee) and Senior Officers (Corporate Leadership Team) who have responsibility for good governance.
- three Statutory Officers: Head of Paid Service, Section 151 Officer, and Monitoring Officer (who along with the Head of Internal Audit meet regularly as the Statutory Officers Group - SOG).

- Head of Internal Audit's annual report on Internal Audit Activity 2023/24 which provides 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 Cabinet, Executive Scrutiny and Audit and Governance Committee on Risk Management activity.
- 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: - [Annual report - Derby City Council](#), alongside our quarterly performance monitoring reports ([Committees \(derby.gov.uk\)](#)).
- 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, the newly launched CQC Adult Social Care inspection, and Sector Led Improvement activities in both Children's and Adults Services).
- Any comments made by our External Auditors in their Value for Money Opinion – this has not yet been issued from the 2020/21 financial year due to resourcing issues with the External Auditor. They plan to focus on a consolidated opinion for historic and current Statements although waiting for legislation to amend the Accounts and Audit Regulations.
- Recommendations and comments made by any other review agencies and inspectorates.
- Customer insight through complaints, the media, and Freedom of Information requests.

## How do we know that our arrangements are working?

The table below details the seven principles of the CIPFA/SOLACE Delivering Good Governance framework and provides an analysis of the effectiveness of how we conform with each element of that framework. It identifies areas where improvements are required which flow through to the action plan at the end of the statement.

Governance Principle	Sub-Principle	Assurance on Compliance
<b>Acting in the public interest requires a commitment to effective arrangements for:</b>		
<b>Principle A</b> <b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	1. Behaving with integrity	<ul style="list-style-type: none"> <li>➤ The political and managerial leadership sets the tone.</li> <li>➤ Through this leadership we ensure that the required policies are put into place and monitored; aided by a Corporate Policy Group.</li> <li>➤ The Employee Code of Conduct forms part of the Council's Constitution and sets out the behaviours expected of employees.</li> <li>➤ The Working Together Protocol, which forms part of the Constitution, sets out the way Councillors and Officers should interact.</li> <li>➤ Training is provided to Councillors who are involved in several committees including Licensing, Audit &amp; Governance Committee and Planning. This is undertaken annually after Annual Council and sets down mandatory training requirements.</li> <li>➤ Monthly 'Councillor Training and Development Evenings' introduced from April 2023 onwards, covering a range of topics and areas of best practice.</li> <li>➤ The "Councillors' Code of Conduct" forms part of the Constitution. The 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 Councillors.</li> <li>➤ The Standards Committee routinely considers reports in relation to probity and ethical practice from bodies such as the Local Government Association and the Committee on Standards in Public Life.</li> </ul>
	2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>➤ In accordance with the Localism Act 2011 we have adopted a "Councillors' Code of Conduct" for our Councillors that is in keeping with the general principles of public life and aligned with LGA Model Code of Conduct. All Councillors and co-opted Members undertake that they will observe the "Code of Conduct". Training on the ethical standards framework is provided to all Councillors and training is provided on a regular basis, in line with our</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<p>election cycle.</p> <ul style="list-style-type: none"> <li>➤ The Standards Committee monitors and reviews the “Councillors Code of Conduct” and prepares an annual statement to Full Council.</li> <li>➤ The “Employee Code of Conduct” provides guidance to our employees on the ethical framework within which we seek to conduct its activities and on the processes that the Council uses to ensure compliance with the highest ethical standards. The Ethics Statement reflects similar principles to the Nolan Principles which form the basis of the “Members’ Code of Conduct”.</li> <li>➤ Leadership Accountability Framework for all managers is in place.</li> </ul>
	3. Respecting the rule of law	<ul style="list-style-type: none"> <li>➤ “Codes of Conduct” set out the standards of behaviour that are expected of our Councillors and Officers. Should these standards be breached, they will be dealt with, either through the Councillors’ Complaints Procedure or, in relation to Officers, action taken under our capability and/or disciplinary procedures</li> <li>➤ 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 was reviewed in 2023/24 and approved by the Audit and Governance Committee at its meeting on 25<sup>th</sup> January 2023. The review of the Whistleblowing Policy brought the policy up to date with developments in the law and made the reporting process (ultimately to the Monitoring Officer) clearer.</li> <li>➤ The Whistleblowing Policy is complemented by the Counter Fraud, Bribery and Corruption Policy and Framework which was revised and adopted in January 2022 (due to be refreshed in January 2025).</li> </ul>
<b>Principle B</b> <b>Ensuring openness and comprehensive stakeholder</b>	1. Openness	<ul style="list-style-type: none"> <li>➤ We are committed to openness and publish information online in accordance with the provisions of the Local Government Transparency Code and the Freedom of Information Publication Scheme</li> </ul>



Governance Principle	Sub-Principle	Assurance on Compliance
engagement.		<ul style="list-style-type: none"> <li>➤ We have procedures in place which allow, within certain parameters, the recording and filming of Council meetings.</li> <li>➤ Only a minimal number of reports are considered in closed session (known as Part II) and for most 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.</li> <li>➤ The Council's COVID-19 response engaged a wide range of statutory and non-statutory stakeholders. This allowed a comprehensive and multi-party response to the needs of the City and our response. This approach has provided a platform for the Council's response to the Cost-of-Living crisis, which has been coordinated through the development of a city-wide Strategy and coordination / working groups.</li> <li>➤ The Council has developed partnerships and engagement in response to City Wide Challenges, for example, economic recovery and development, demand management for Adults and Children's Social Care, and the local area offer pertaining to SEND.</li> </ul>
	2. Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>➤ We engage with large numbers of stakeholders. We have a comprehensive engagement system with statutory stakeholders such as the NHS, ICB, Derbyshire Constabulary and Derbyshire Fire and Rescue Service. We have further subject based stakeholder forums.</li> <li>➤ The Council has worked effectively with and across the public/private sector through the relaunched Partnership Board and the new Integrated Care Board within Health.</li> <li>➤ The Derby Partnership Board met monthly throughout 2023/24, with content focused on working towards shared city priority themes. Meetings were well attended by a wide cross-section of stakeholders with evidence of active participation. A review of the Board was underway in 2023/24 to inform future ways of working for 2024/25 onwards</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
	3. Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>➤ Local focus and community engagement is successfully promoted through Neighbourhood Meetings or engagement with communities by local ward councillors including social media, community meetings etc.</li> <li>➤ Re-modelling of locality working from 2023 onwards. The city has five clear locality plans that recognise individual needs at a community level. The Locality Plans have been developed with residents, community leaders and partners to reflect our ambition to achieve shared outcomes.</li> <li>➤ Public consultation is undertaken on specific areas of service, or on matters that may have a substantive impact on residents, facilitated by our Consultation Team. The Communications and Marketing Team ensure that specific matters are placed in the media and engage with the media over enquiries on specific matters.</li> </ul>
<b>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:</b>		
<b>Principle C</b> <b>Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b>	1. Defining outcomes	<ul style="list-style-type: none"> <li>➤ The Derby Partnership Board agreed revised priority themes in 2022 of green, growth, vibrant and resilient that forms the basis of shared work, bringing together partners across the city. A new city plan was agreed by partners in Autumn 2022, with the Partnership Board reflecting on delivery/achievements, annually as a minimum.</li> <li>➤ Delivery of partnership priorities through partnership boards and strategies (for example, the Integrated Care Strategy, A Joint Local Health and Well-being Strategy 'Plan on a Page' and the Children and Young People's Plan); with targeted outcome boards / working groups supporting delivery.</li> <li>➤ The <a href="#">Council Plan 2022-2025</a> describes our priorities, resources and how we will monitor progress, with our annual Council Delivery Plan making sure that we are focused on current priorities/needs, against which we monitor our progress at least every three months. There are regular reviews of commitments, with changes approved by Cabinet in line with monitoring, to ensure actions fully reflect what is needed to achieve city outcomes.</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> <li>➤ Production of an annual report to publicise <a href="#">Derby City Council 2023/24 Annual Report</a> and provide evidence to the local community on its achievements and progress made in delivering its Council Plan priorities and demonstrating value for money</li> <li>➤ Strengthened alignment between commitments in the annual Council Delivery Plan and our external communications with the city, via Derby Newsroom publications.</li> <li>➤ Pre-decision scrutiny through the Executive Scrutiny Board (ESB) means that recommendations from ESB are received at every meeting of Cabinet to ensure greater degrees of effectiveness and challenge to the Cabinet's decision making.</li> <li>➤ A Medium-Term Financial Plan (MTFP) with a focus on the next financial year (linked to the spending review) which aligns available resources to the activities of the Council and setting out the financial plans for a further 2 years.</li> </ul>
	2. Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>➤ Business plans are developed by Directors and Heads of Service, which include clear objectives, measures and risks that are actively managed by services during the year and inform the setting of individual objectives.</li> <li>➤ Review of all business plans annually to ensure alignment of opportunities and risks, reducing silo/service-based delivery.</li> <li>➤ The reporting format for all Council reports includes additional assessment of climate change implications alongside socio-economic impacts with an impact assessment in development for the latter.</li> </ul>
<b>Principle D</b> <b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>	1. Determining interventions	<ul style="list-style-type: none"> <li>➤ Corporate Performance Management is undertaken as part of the Corporate Leadership Team, with monthly monitoring of key corporate areas of risk (i.e., cost of living and demand).</li> <li>➤ Review and challenge coordinated through the Corporate Leadership Team and targeted Improvement Boards; aided by established performance, improvement and quality assurance frameworks.</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> <li>➤ Creation of cross Council performance groups (e.g. Demand Management Groups, sickness absence)</li> <li>➤ A corporate MTFP Delivery Board was established in March 2023 driving our MTFP and Working Smarter deliverables across four workstreams – Assets, Demand &amp; Insight, Efficiency &amp; Innovation, and People &amp; Culture. In 2024, a new workstream on Artificial Intelligence was set up.</li> <li>➤ Established Programme Management Office Board (PMO) to oversee assurance of programmes and projects; alongside targeted risk assessments of priority / high-risk projects by the Assurance Team.</li> <li>➤ Introduction of risk-based assurance reviews of Gateways in 2023, with evidence of action and impact documented through the PMO assurance log.</li> <li>➤ Quality Assurance - examples of good practice exist at service level e.g. People's Services, with evidence of this being reviewed, strengthened and widened out during 2023/24 to further develop the understanding of practice and impact across all areas of People's Services.</li> <li>➤ Regular challenge from inspectorates such as Ofsted and Care Quality Commission (CQC). Annual Conversations with Ofsted make sure that progress of our services is tracked and challenged in between inspections, alongside local improvement plan delivery and monitoring.</li> <li>➤ Sector Led Improvement (SLI) challenge from regional peers in Children's and Adults' services; alongside engagement with the LGA across all Council services.</li> <li>➤ The impending review process from the newly established Office for Local Government (OFLOG), with local analysis/self-assessments completed in 2023/24 on the proposed 'measures of success and failure'.</li> <li>➤ Active Executive Scrutiny performance forward plan focused on Council Scorecard / Council Plan / Recovery Plan outcomes.</li> <li>➤ Deep-dive and targeted risk reviews completed and reported to Audit and Governance Committee, as part of regular assurance reporting.</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> <li>➤ Performance and Risk Surgeries are held to evidence challenge and drive improvements; aided by local assurance and improvement review activities coordinated by the Strategy, Performance and Partnerships service.</li> <li>➤ The Council is focusing its transformation interventions around 4 partnership themes of Vibrant Derby, Growth Derby, Green Derby and Resilient Derby.</li> </ul>
	2. Planning interventions	<ul style="list-style-type: none"> <li>➤ Performance, audit, risk and finance information is used to identify areas of concern and plan required interventions; informed by clear improvement plans to ensure interventions are evaluated at the most appropriate time.</li> <li>➤ There is an annual cycle of meetings that are planned through the municipal year, but internal procedures are flexible for Councillors to intervene, such as via call in or the calling of extraordinary meetings, at any point in the year</li> </ul>
	3. Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ A Corporate Project Management Framework is in place alongside a corporate PMO Board.</li> <li>➤ A Gateway process for programme and project decision making was launched in March 2019 and reviewed in 2023/24, managed through the PMO Board. This Assurance Board has strengthened the approval of business cases, delivery plans and lessons learnt from projects. The embedding of corporate processes is supported by a SharePoint platform to further strengthen governance.</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		<ul style="list-style-type: none"> <li>➤ A specialist Assurance and Development Group who work with programme and projects to maximise the chances of delivering outcomes for the city that are value for money.</li> <li>➤ Our Corporate Leadership Team has strategic oversight of major issues affecting the Council with a tightly managed forward plan, including through the Delivery Board.</li> </ul>
<b>Principle E</b> <b>Developing its capacity, including the capability of its leadership and the individuals within it.</b>	1. Developing the entity's capacity	<ul style="list-style-type: none"> <li>➤ The Head of Paid Service is responsible for ensuring the organisation has the requisite skills, capability and capacity to deliver its objectives. Leadership and Management is delivered through Corporate Leadership Team (meeting weekly) and Senior Leaders Network (monthly).</li> <li>➤ We use a Performance Management system (Great Performance Conversations) 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.</li> </ul>
	2. Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>➤ We have a programme of training available for both Councillors and Officers (at all levels); colleagues are encouraged to access training opportunities offered through apprenticeships, including leadership apprenticeships.</li> <li>➤ All new starters are required to undertake an induction programme.</li> <li>➤ There is mandatory training for all staff on key policies via the e-Learning system.</li> <li>➤ Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies.</li> <li>➤ We have a leadership accountabilities and expectations framework for managers from Director to team manager.</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
<b>Principle F</b> <b>Managing risks and performance through robust internal control and strong public financial management.</b>	1. Managing risk	<ul style="list-style-type: none"> <li>➤ Leadership development short courses are run in-house, including focussed development for new and aspiring leaders.</li> <li>➤ Our Risk Management Strategy and Handbook was reviewed and updated in 2023. On-going work has taken place during the year to continue to embed the framework more consistently across the organisation. We have agreed a Risk Appetite statement, informed by a risk maturity self-assessment; with reviews of both commencing at the end of 2023/24.</li> <li>➤ Targeted risk management training was hosted in 2023/24, accessible to all managers, senior officers, Cabinet and Audit &amp; Governance Committee members; with a local schedule of activities to be developed for 2024/25.</li> <li>➤ A Corporate Risk Management Group is established, chaired by the Director of Governance, Property and Procurement, with Risk Champions identified in all directorates.</li> <li>➤ There is an emerging risk log in place to aid pre-defined assessment of areas of threat / opportunity, shared with Heads of Service every month.</li> <li>➤ Risks are regularly monitored on a corporate, departmental and service basis; including targeted reviews of risks (i.e., when risk scores remain unchanged despite mitigations these are reviewed and challenged every 6-months to fully understand the impact of controls)</li> <li>➤ We are currently implementing a new Performance and Risk System (PARS) to develop enhanced analysis and monitoring of risk aligned to performance.</li> <li>➤ The Internal Audit Plan continues to be based on quarterly planning as this has achieved greater flexibility in how internal audit work is both planned and delivered in response to changes in the risks faced by the Council which impact on governance and control.</li> <li>➤ Audit &amp; Governance Committee receive risk assurance reports twice a year, including on the strategic risk register and can commission risk surgeries to explore key risks in more detail. There is evidence through reporting of action</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		taken in response to feedback from the Committee.
	2. Managing performance	<ul style="list-style-type: none"> <li>➤ Principal performance targets are captured within our Performance management system (DORIS) and are subject to review (including Council Delivery Plan, Council Scorecard and Departmental business plans). It should be noted that during 2023/24 a new performance management system has been under development (PARS) to strengthen performance management governance and accountability, which is to be launched in 2024/25.</li> <li>➤ Individual projects have their own targets and performance reviews set within them and are reported via the projects teams as required.</li> <li>➤ Projects are tracked through the Project Management Platform, with reporting on priority projects to CLT and Cabinet every three months as part of integrated performance monitoring. Monthly reporting on project highlights was introduced in 2023/24 to ensure leaders are able to track delivery more regularly, challenging progress, as appropriate.</li> <li>➤ Performance management is reported on a quarterly basis to the Cabinet, the Corporate Leadership Team and Executive Scrutiny Board.</li> <li>➤ CLT also receive a monthly performance highlight report, on areas of key risk / priority.</li> </ul>
	3. Robust internal control	<ul style="list-style-type: none"> <li>➤ Preventative procedures are in place which include the segregation of duties, approval/authorisation process, security of assets and regular reconciliations.</li> <li>➤ Assurance is gained through regular internal audits and reporting to senior leaders.</li> <li>➤ Our Internal Audit Service has received an independent external quality review in September/October 2022 which ensured the service conforms with the Public Sector Internal Audit Standards (PSIAS).</li> </ul>
	4. Managing data	<ul style="list-style-type: none"> <li>➤ We have in place a suite of Information Governance Policies and Procedures that are monitored by the Information Governance Team.</li> <li>➤ We have senior officers who fulfil the roles of the Senior Information Risk Owner and the Caldicott Guardian.</li> </ul>



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		<ul style="list-style-type: none"> <li>➤ All officers and Councillors are required to undertake mandatory e-Learning training on information governance and cyber security.</li> <li>➤ The importance of reporting breaches of Data Protection legislation is well publicised.</li> </ul>
	5. Strong public financial management	<ul style="list-style-type: none"> <li>➤ We have a budget setting process with the Budget and Medium-Term Financial Plan decided annually by Council.</li> <li>➤ The Finance Strategy sets the overall direction for how we will fund our activities and invest in the future.</li> <li>➤ We have in place a statutory Section 151 Officer, who reports directly to the CEO, with finance teams that support the budget holders.</li> <li>➤ Financial Procedure Rules and Contract Procedure Rules are in place and regularly updated.</li> <li>➤ An assessment against the CIPFA Financial Management Code was undertaken internally. This provided adequate assurance in respect of the Council's Financial Management arrangements. However, financial resilience is impacted upon by the Council having relatively low levels of reserves.</li> </ul>
<b>Principle G</b> <b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</b>	1. Implementing good practice in transparency	<ul style="list-style-type: none"> <li>➤ Agendas for all Council meetings are publicly available on our website.</li> <li>➤ We have regard to the local Government Transparency Code 2015, publishing required information at <a href="#">Open data and transparency - Derby City Council</a></li> <li>➤ We comply with The Openness of Local Government Bodies Regulations 2014.</li> <li>➤ We have a Whistleblowing Policy in place.</li> </ul>
	2. Implementing good practices in reporting	<ul style="list-style-type: none"> <li>➤ We have in place comprehensive procedures for the making of decisions, either by Full Council, Committee, Cabinet, individual decisions made by Cabinet Members and delegated decisions taken by Officers.</li> <li>➤ All reports are taken through Democratic Services and require clearance by legal and finance as a minimum.</li> <li>➤ Agendas, reports and minutes of meetings of Council, Committees and</li> </ul>

Governance Principle	Sub-Principle	Assurance on Compliance
		Cabinet are available on our website, save for reports which contain information that is exempt from publication.
	3. Assurance and effective accountability	<ul style="list-style-type: none"> <li>➤ The Constitution sets out the executive arrangements and the roles and responsibilities of the Leader of the Council, the Cabinet and each of the Cabinet Members individually and the roles and responsibilities of other Council Members.</li> <li>➤ The Constitution sets out the functions of Council, Cabinet and the various committees, as well as the decision-making responsibilities of senior officers.</li> <li>➤ We have an established Scrutiny function with a number of Scrutiny Committees whose responsibilities are also set out in the Constitution.</li> <li>➤ 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 also set out in the Constitution.</li> </ul>

## **What specific assurances do we receive?**

Whilst a number of assurances have been obtained to support this conclusion, it is important that we consider the following specific assurances 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. An assessment against the financial management code has been undertaken and reported in year. These have been considered within the context of this Statement and it has been established that our arrangements conform to the CIPFA requirements, and the Section 151 Officer has no significant concerns to report.

### **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 Chief Audit Executive (DCC's Head of Internal Audit) provides an opinion on the overall adequacy and effectiveness of our risk management, internal control, counter fraud and governance processes.

The Chief Audit Executive is satisfied that sufficient work has been undertaken to allow him to draw a reasonable conclusion on the adequacy and effectiveness of our arrangements. Based on the work performed during 2023/24 and other sources of assurance, the Chief Audit Executive has provided the following opinion on our risk management, internal control, counter fraud and governance processes, in operation during the year to 31 March 2024:

"The Head of Internal Audit's opinion for 2023/24 is that there is a "Satisfactory System of Governance, Risk and Internal Control".

Full details on the assurance provided by the Chief Audit Executive are detailed within the Internal Audit Annual Report for 2023/24 considered by the Audit and Governance Committee on 12<sup>th</sup> June 2024.

Under the Public Sector Internal Audit Standards (the Standards), we are required to undertake a review of the effectiveness of our Internal Audit function and to report the results in the Annual Governance Statement. An independent assessment against the Public Sector Internal Audit Standards must be carried out every five years. Our internal audit provider CMAP had an External Quality Assessment undertaken in September /October 2022. The overall assessment was that CMAP “Generally Conforms with the Public Sector Internal Audit Standards” and that CMAP came out as “best in class” position in terms of all the EQA reviews that the external assessor had done within local government. The Director of Finance provides the Audit and Governance Committee with a report each year on her assessment on the effectiveness of internal audit. Her overall conclusion for 2023/24 in a report to the Audit and Governance Committee on 12<sup>th</sup> June 2024 was that “CMAP continues to deliver an effective internal audit service to the Council”.

#### **4. External Audit**

The Council published its draft accounts in accordance with the Accounts and Audit Regulations. Resourcing issues within the Council’s appointed auditor, Ernst Young and a pause on issuing opinions linked to national assessment in respect of accounting for infrastructure assets and pension fund revaluations means that the Accounts for 2020/21 2021/22, 2022/23 and 2023/24 and associated opinions have not been issued. The Government have issued their commitment to clearing the backlog of audit work and will lay legislation to amend the Accounts and Audit Regulations (2015) to set a series of backstop dates.

Whilst the resourcing and timing of the External Audit Process from the appointed auditor has been a significant concern to the Council and its Audit and Governance Committee, new auditors have now been appointed and there is a clear plan to deal with the backlog.

#### **5. SIRO and Data Protection**

Following the recent corporate restructure, the Director of Corporate Governance, Property and Procurement and Monitoring Officer is responsible for data protection and freedom of information compliance and Information Governance. The Director of Digital & Physical Infrastructure and Customer Engagement continues as the Council’s Senior Information Risk Officer (SIRO).

There were 224 Information Security Breaches reported the IG Team in 2023/24, of which there were 201 actual breaches. The number of serious breaches which were reported to the Information Commissioners Office continues to increase, following on from a 50% increase in the previous financial year. This year we saw a 25% increase in reportable incidents, of the 36 reported cases, 25 related to breaches within People’s Services. Despite the increase the ICO took no enforcement action against the Council, in recognition for the mitigatory actions implemented as part of the Council’s response to the incidents. The most common breach was in respect of information being emailed to the wrong individual.

There is a robust Information Governance Board in place chaired by the Director of Digital & Physical Infrastructure and Customer Engagement.

The Council received positive assurances in respect of Internal Audit of the IG Framework, PSN Code of Connection, and NHS IG Toolkit Compliance and has a series of annual training courses in respect of GDPR and Cyber Security.

Investment continues in the Council's ICT infrastructure continues moving with ongoing phases of cyber defence development, leverage of new records management capabilities, and data loss protection technologies.

## **6. Programme Management Office (PMO) and Corporate Risk Group**

Work has remained on-going during 2023/24 to strengthen assurances through the Council's Programme Management Office, to ensure that programmes and projects progress appropriately through each Gateway stage, with documented assurances on the arrangements at each point.

Our Project Management Platform (PMP) was launched in September 2021, and at the end of March 2024 there were 137 open programme and project sites, with 42 priority projects being delivered to support the achievement of commitments in the 2023/24 Council Delivery Plan. A full review of the platform was completed during 2023/24 to ensure all sites were active and representative of current activities.

24 gateways for programmes and projects were considered by the PMO Board between April 2023 and March 2024, including:

- Mobility programmes projects
- OCOR Derby Riverside
- HRA projects
- Strategic Development Procurement
- Derby Playzones
- D2N2 Regional Fostering Marketing and Recruitment Hub
- Market Hall
- Allestree Rewilding
- AI technology
- Small Children's Residential Homes

During the last year, to strengthen the PMO gateway review process, an assurance report template was developed with input from project teams, the Assurance and Development (A&D) Group and the PMO Board, which was subsequently introduced in May 2023. The report is aligned with our project management methodology, essential documentation and processes. It provides a summary of assurance activities pre-PMO Board, which includes...

- evidence that key project documents are in place, alongside an assessment of their quality.
- an evaluation of the current status of the programme or project based on the PMO Board's assurance based key lines of enquiry at each gateway stage.

- an executive summary of the project outline, alongside recommendations from the Assurance Team and the Assurance and Development (A&D) Group that, if implemented, will strengthen aspects of a programme or project, ahead of the gateway review.
- a summary of areas for development with any responses/progress updates on the assurance recommendations delivered by the lead project team.
- areas of good practice, and the next assurance review date and gateway.

It should also be noted that all gateway discussions through both the A&D Group and the PMO Board are appropriately recorded on a recommendations log, documenting the areas identified for further consideration alongside the outcome of these. This makes sure that we close the loop on assurance-based recommendations, and capture learning for future programme and project activities.

Additional areas that have been enhanced over the last year have included:

- the programme and project PMO pipeline is more robust and has integrated the Delivery Board pipeline to ensure strengthened alignment between boards. We are, where possible, working to ensure that gateway discussions are appropriately timed to add the most value through high challenge, high support.
- there have been a number of risk-based reviews of complex or high-risk programmes or projects (i.e., Mobility programme and OCOR), with assurance oversight maintained on a monthly basis.
- the risk management strategy and handbook were refreshed in March 2023, which included updated project risk management guidance, inclusion of the project manager network and A&D Group in roles and responsibilities, and additional risk review tools including a 'project risk review' template, to increase consistency and improve alignment of project risks within our risk management framework.

The Audit and Governance Committee considered a PMO assurance update report in January 2024. The Committee also receive 6-monthly risk assurance reports pertaining to the implementation of Derby's Risk Management Strategy and arrangements for the management and mitigation of strategic risks.

Developments delivered during 2023/24 included:

- Risk training sessions hosted with Councillors, Cabinet, Heads of Service and Managers.
- Risk maturity outlined as part of risk training sessions, with work commencing to review and update the Council's risk maturity self-assessment.
- Reviews of the risk level of all strategic risks to seek assurances that they continue to be managed at the correct level.
- Wider development of the emerging risk log with circulation to Heads of Service monthly, supporting in risk identification.
- The Assurance Team has led and supported with specific service risk review requests, as appropriate (e.g. Property, Accommodation Sufficiency, PFI (Private Finance Initiative) expiry, AI threats and opportunities, and cost of living risks).
- We have continued 6-monthly assurance reviews on strategic and directorate risks where the scores remain unchanged, despite mitigations, to ensure risks are appropriately defined, review the context, any barriers to reduced ratings and any

anticipated impacts of controls.

- Strengthening programme and project risk assurance activities through embedding our Assurance and Development (A&D) Group, which underpins the Programme Management Office Board (PMO), and the introduction of an assurance report template, which takes a risk-based approach to recommendations.

## **7. Senior Management Assurance Statements**

Senior Management Assurance Statements were produced by all Directors for the financial year 2023/24. Against 14 Assurance Statements the Directors' self-assessed compliance and detailed the basis of Assurance and the frequency of testing and review. Most of these statements/assurances evidenced full compliance with the principles of good governance. There were no significant governance breaches or weaknesses identified through this self-assessment. Areas for development are detailed at the end of this statement.

## What were the key governance issues in 2023/24?

The key governance issues to be reported are:

### Financial Resilience

The Council focused on financial resilience to deliver a balanced budget with a financial strategy to replenish reserves over a three-year period. An overspend was reported in Quarter 1 however this was significantly mitigated through the continuation of Spending Review Panels and Recruitment Panels. The Council reported an overspend at the end of the financial year although recognises the extreme financial challenges facing the sector and continues to apply control mechanisms to reduce spend.

Councils are legally responsible for funding some of the most critical services: children's social care for vulnerable children and their families and children in the care of the local authority, social care for older and disabled adults and housing and homelessness for those with the greatest need and those excluded from school or with special educational needs. Aged 0-25 The rising costs in these and other areas were well documented throughout the year in reports to Cabinet.

With predictions of a £6.5m revenue overspend six months into the 2023/24 financial year, the Council was able to reduce this to £4.4 million by the year end. Rising costs in social care, compounded by continued high inflation, caused the Council to experience over £20m of in-year unbudgeted pressures. The Council put immediate measures in place to mitigate this, including only recruiting where staff vacancies were critical to services, and only approving spending for essential items and services. These mitigations resulted in approximately £7m being offset from the in-year pressures.

The main reasons for the overspend include continuing pressures on children's and adults' social care services, particularly the cost of complex placements for vulnerable children and adults, and the nationally-set pay award reflecting an inflation figure which remained high. But the biggest overspend last year was on homelessness and temporary accommodation. During 2023/24, there were 2,486 homelessness approaches.

Given, the Council's historically low level of reserves this needs to be actively managed during the medium term to support future financial resilience. An assessment against the CIPFA Financial Management Model concludes this is an area of relatively low resilience at the current time.

As the Council's reserves are reduced there is the need to undertake some short-term borrowing to manage cash flows. The Treasury Management Strategy is the key assurance framework for managing this and all activity is well within the permitted prudential indicators. This outturn position will require the Council to draw down on its reserves however the financial strategy of the Council is to replenish and increase those reserves with a replenishment of over £10m planned over the next three years.



## Special Educational Needs and Disabilities

The High Needs Block of the Dedicated Schools Grant (DSG) moved into a deficit position, reflecting the national trends. Governance of the High Needs Budget sits with Cabinet with reporting through either Financial Matters or via dedicated papers. However, recognizing the system wide ownership of providing effective support for young people with SEND or those excluded the Local Area Inclusion Partnership Board provides an ongoing steer for how the effective use of resources. This Board is supported through the School Forum alongside an internal DGS Board that is chaired by the S151 Officer. A deficit management plan that is tracked and reported on provides assurance of the oversight on spend.

## Inspections and assessments

During 2023/24 there were a number of inspection/assessment related activities, a summary of which presented in the table below.

Service area(s)	Inspection and inspectorate	Findings / report
<b>Youth Offending</b>  <i>June 2023</i>	Joint thematic inspection of children remanded in youth detention accommodation  <u>Inspectorate(s)</u> - HMI Probation, Ofsted and HMI Prisons	Non-judgement inspection  National report published, with Derby cited as an example of good practice <a href="https://www.justiceinspectorates.gov.uk/jipr/reports/a-joint-thematic-inspection-of-work-with-children-subject-to-remand-in-youth-detention/">A joint thematic inspection of work with children subject to remand in youth detention (justiceinspectorates.gov.uk)</a>
<b>Children's Services – Early Help and Social Care</b>  <i>July 2023 – March 2024</i>	Annual challenge discussions based on latest service self-assessments  <u>Peer to peer challenge</u> coordinated through ADCS and ADASS	N/A no formal reports published. Letter issued to Directors for local action.
<b>Adult Social Care</b>  <i>July 2023</i>		
<b>Children's Service</b>  <i>October 2023</i>	Focused visit of arrangements for children in need and child protection planning  <u>Inspectorate</u> - Ofsted	Non-judgement inspection <i>"Since the last inspection in 2022, the stable senior leadership team has remained committed to responding proactively to meet the needs of children and families living in Derby"</i> <a href="https://www.ofsted.gov.uk/inspections/50234225">50234225 (ofsted.gov.uk)</a>
<b>Children's Services</b>  <i>January 2024</i>	Annual Ofsted Conversation  <u>Inspectorate</u> - Ofsted	Letter issued to Directors for local action, with themes tested through formal inspections.
<b>Adult Social Care</b>  <i>January 2024 – August</i>	Formal inspection of Adult Social Care Services ( <i>new</i>	Assessed as ' <i>Requires Improvement</i> '

2024	<i>inspection framework)</i> <u>Inspectorate</u> – CQC	<a href="#">Derby City Council: local authority assessment - Care Quality Commission (cqc.org.uk)</a>
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## **Electoral and Constitutional Changes**

The Council agreed to move to four-yearly ‘all out’ elections from May 2023, with the intention of providing more stability and facilitating long-term planning. Whilst some of these benefits have been realised, Derby remains a closely contested local authority, which is reflected in the Council’s political culture and democratic governance arrangements.

The Council has commissioned external support to review the Council Constitution, to aid the transition to a whole-Council electoral cycle and to update constitutional arrangements in line with best practice seen in other Councils. The first stage of the review was undertaken in Autumn 2022, with facilitated workshops held with councillors and senior officers.

A first draft of the refreshed Constitution was extensively reviewed by the cross-party Constitutional Review Working Group in Autumn 2023, followed by wider circulation to all elected members. Following feedback from councillors, several amendments to the proposed committee procedure rules and Overview and Scrutiny arrangements were incorporated, pending consideration of the draft document at the Annual General Meeting in May 2024. Regrettably, the draft Constitution was not approved by councillors at that meeting; at the time of writing, Democratic Services are consulting with political leaders on the next steps for the project.

## **East Midlands County Combined Authority (EMCCA)**

Further to the four constituent authorities of Derby City, Derbyshire County, Nottingham City and Nottinghamshire County Councils agreeing to the Proposal to create a county combined authority, the proposal was submitted to Government in April 2023. The EMCCA was enacted in statute and created in March 2024, with a regional Mayor elected in May 2024. As a constituent authority, the Council has two seats on the EMCCA Board with nominated representatives on the relevant committees (including Scrutiny and Audit & Governance) as well as officer groups.

The Council actively participates in the development of EMCCA and the emerging governance and organisational structure. We regularly identify opportunities and risks through CLT and an officer working group.

## Progress on Improvement Areas Arising from previous Annual Governance Statements

There were several governance issues raised in the 2022/23 Annual Governance Statement:

2023/24 Recommendation	Actions implemented
<p>Ensuring financial resilience against a backdrop of significant changes in macro-economic conditions and contraction of public sector finance:</p> <ul style="list-style-type: none"> <li>• Use predictive analytics to manage demand</li> <li>• Model financial scenarios</li> <li>• Implement and embed Service prioritisation and service reviews</li> <li>• Monitoring of the Treasury Strategy and capital and revenue forecasts</li> <li>• Develop a DSG management plan to manage the DSG deficit and implementation of the SEND transformation</li> </ul>	<p>Ongoing modelling of latest projections based on in-year monitoring and insight reports inform reporting to CLT and the MTFP. MTFS is updated annually in the Autumn.</p> <p>Setting of balanced budget February 2024</p> <p>Corporate MTFP Delivery Board established in March 2023, with specific workstreams on Assets, Demand and Insight, Efficiency and Innovation, People and Culture, with agreed projects, savings and outcomes.</p> <p>A deficit management plan has been established which is tracked and reported on. This provides assurance of the oversight on spend.</p>
<p>Implementation of a new financial management system</p> <ul style="list-style-type: none"> <li>• Procurement and system development</li> </ul> <p>Implementation of core financials (AP, AR and GL) 1 April 2023</p>	<p>The financial management system has been implemented.</p>
<p>Manage Increased Demand for Council Services</p> <ul style="list-style-type: none"> <li>• Understand demand, dependency especially for statutory services, e.g. social care, homelessness</li> <li>• Investigate opportunities regarding market provision/sufficiency to reduce reliance on external provision</li> </ul>	<p>Specific MTFP Delivery Board workstream on Demand and Insight, with agreed outcomes.</p> <p>Monthly performance highlight report considered by CLT on key areas of demand.</p> <p>A new MTFP Delivery Board workstream on Adult Social Care was launched in September 2024.</p>
<p>Undertake Constitutional Review</p> <ul style="list-style-type: none"> <li>• External Review</li> <li>• Cross Party Panel</li> </ul>	<p>A first draft of a refreshed Council Constitution was received in July 2023 and presented to Council in May 2024,</p>

	<p>following a review conducted with the support of the Centre for Governance and Scrutiny (CFGs).</p> <p>The draft document did not receive support from a majority of councillors; officers are currently consulting with political leaders on the next steps for the project.</p>
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## What are our key governance development priorities for 2024/25?

The sustainability of Local Government remains paramount in light of increasing financial pressures across the sector. The key governance priorities for 2024/25 are:

<b>2024/25 Recommendation</b>	<b>Responsible Officer and Target Implementation Date</b>
<p>Ensuring financial resilience against a backdrop of significant changes in macro-economic conditions and contraction of public sector finance:</p> <ul style="list-style-type: none"> <li>• Model financial scenarios in light of identified risks</li> <li>• Targeted activity through MTFP Delivery Board focused on: <ul style="list-style-type: none"> <li>○ Asset rationalisation (including prioritisation of capital disposals to deliver capital receipts)</li> <li>○ Demand &amp; Insight</li> <li>○ Efficiency &amp; Innovation</li> <li>○ Artificial Intelligence</li> </ul> </li> <li>• Monitoring of the Treasury Strategy and capital and revenue forecasts</li> <li>• Regular review of reserves strategy</li> <li>• Monitor DSG management plan to manage the DSG deficit and implementation of the SEND transformation</li> </ul>	<p>Chief Executive Section 151 Officer CLT (All Directors)</p> <p>Ongoing quarterly reporting and implementation of mitigating actions (co-ordinated through the MTFP Delivery Board).</p> <p>Approved MTFS in Autumn 2024.</p>
<p>Manage increased demand for Council Services</p> <ul style="list-style-type: none"> <li>• Insight led approach to understanding and forecasting demand, especially for statutory</li> </ul>	<p>Strategic Directors and Directors</p> <p>Prioritised and reported through MTFP Delivery Board against agreed outcomes.</p>

<p>services, e.g. social care, homelessness</p> <ul style="list-style-type: none"> <li>• Investigate opportunities regarding market provision/sufficiency to reduce reliance on external provision</li> </ul>	
<p>Complete Constitutional Review</p> <ul style="list-style-type: none"> <li>• External Review</li> <li>• Cross Party Panel</li> <li>• Full Council approval</li> </ul>	<p>Director of Governance, Property and Procurement (Monitoring Officer)</p> <p>Ongoing Review</p>

## Assurance Opinion by Leader of Council and Chief Executive

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by senior management. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

It is our opinion that the Council's governance arrangements in 2023/24 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2024/25. Whilst recognising this, it should be noted the national macro-economic conditions and cost of living crisis is placing intense strain on the framework of public finances and by implication the ability to deliver services. The Council continues to work with and for the city in responding to this challenge. However, this has altered the risk and control environment in which the Council is operating at the date of this statement, and this will be kept under constant review by the Corporate Leadership Team and additional assurances sought from the workplan of Internal Audit.

Councillor Nadine Peatfield  
Leader of the Council



Paul Simpson  
Chief Executive



26 February 2025  
Signed on behalf of Derby City Council