



Derby City Council

Annual Governance Statement 2022/2023

Final version – October 2023



Derby City Council

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

This Annual Governance Statement (AGS) for 2022/23 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

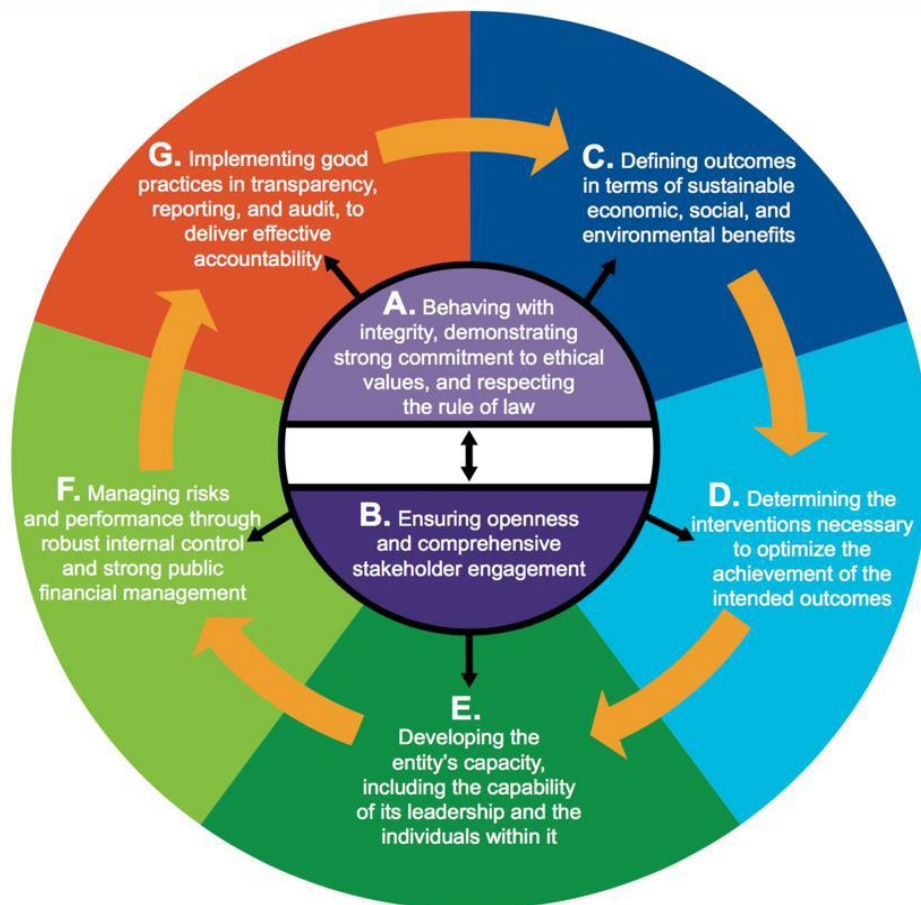
- secure continuous improvements in the way we operate.

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.

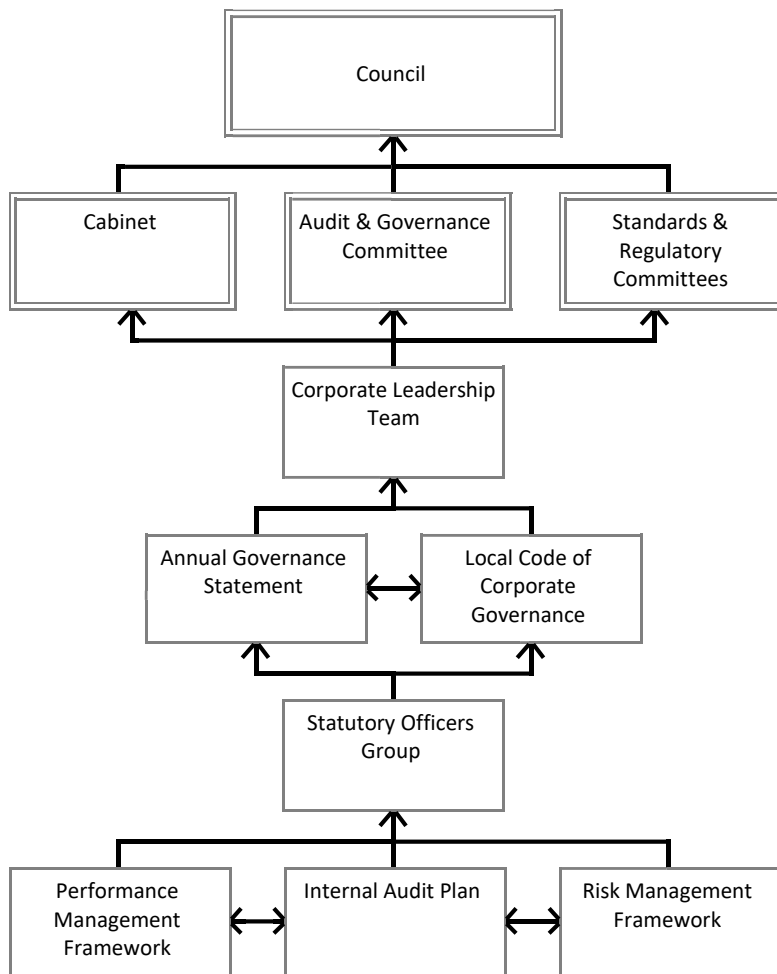
The "Delivering Good Governance" framework below, envisages there will be a continuous process of applying the seven principles, with two principles at the core of this process. They are:

- 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 2022/23 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 Senior Officers Group (SOG))

- Head of Internal Audit’s annual report on Internal Audit Activity 2022/23 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 for the 2020/21 financial year due to resourcing issues by the External Auditor and awaiting national clarification in respect of accounting for infrastructure assets
- 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
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 political and managerial leadership sets the tone ➤ Through this leadership we ensure that the required policies are put into place and monitored; aided by a Corporate Policy Group. ➤ The Employee Code of Conduct forms part of the Council’s Constitution and sets out the behaviours expected of employees. ➤ The Working Together Protocol, which forms part of the Constitution, sets out the way Councillors and Officers should interact ➤ Training is provided to Councillors who are involved in several committees including Licensing, Audit & Governance Committee and Planning. This is undertaken annually after Annual Council and sets down mandatory training requirements. ➤ Monthly ‘Councillor Training and Development Evenings’ introduced from April 2023 onwards, covering a range of topics and areas of best practice. ➤ The “Councillors’ Code of Conduct” forms part of the 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 Councillors
	2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ➤ 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 election cycle. ➤ The Standards Committee monitors and reviews the “Councillors Code of Conduct” and prepares an annual statement to Full Council

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		<ul style="list-style-type: none"> ➤ 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” ➤ Leadership Accountability Framework for all managers is in place.
	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 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 ➤ 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 2022/23 and approved by the Audit and Governance Committee at its meeting on 25th 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. ➤ The Whistleblowing Policy is complemented by the Counter Fraud, Bribery and Corruption Policy and Framework which was revised and adopted in January 2022.
Principle B Ensuring openness and comprehensive stakeholder engagement.	1. Openness	<ul style="list-style-type: none"> ➤ 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 ➤ We have procedures in place 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

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		<p>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</p> <ul style="list-style-type: none"> ➤ 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. ➤ 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.
	<p>2. Engaging comprehensively with institutional stakeholders</p>	<ul style="list-style-type: none"> ➤ We engage with large numbers of stakeholders. We have a comprehensive engagement system with statutory stakeholders such as the NHS, CCG, Derbyshire Constabulary and Derbyshire Fire and Rescue Service. We have further subject based stakeholder forums ➤ 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. ➤ The Derby Partnership Board meets monthly, with content focused on working towards shared city priority themes. Meetings are well attended by a wide cross-section of stakeholders with evidence of active participation.
	<p>3. Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> ➤ 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. ➤ Re-modelling of locality working from 2023 onwards. ➤ Public consultation is undertaken on specific areas of service, or on matters that may have a substantive impact on residents, facilitated by our

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		<p>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</p>
<p>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:</p>		
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>1. Defining outcomes</p>	<ul style="list-style-type: none"> ➤ The Derby Partnership Board agreed revised priority themes in 2022 of green, growth, vibrant and resilient that forms the basis of our shared work, bringing together partners across the city. A new city plan was agreed by partners in Autumn 2022, which is reviewed annually as a minimum. ➤ Delivery of partnership priorities through partnership boards and strategies (for example Health and Well-being strategy, Children and Young People’s Plan); with targeted outcome boards / working groups in development (Sustainability and Resilient) ➤ The Council Plan 2022-2025 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 - ➤ Production of an annual report to publicise Derby City Council 2022/23 Annual Report and provide evidence to the local community on its achievements and progress made in delivering its Council Plan priorities and demonstrating value for money ➤ 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 ➤ 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.

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	2. Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Business plans are developed by Directors, which include clear objectives, measures and risks that are actively managed by services during the year and inform the setting of individual objectives ➤ 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.
<p>Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	1. Determining interventions	<ul style="list-style-type: none"> ➤ 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) ➤ Review and challenge coordinated through the Corporate Leadership Team and targeted Improvement Boards; aided by established performance, improvement and quality assurance frameworks ➤ Creation of cross Council performance groups (e.g. Demand Management Groups, sickness absence) ➤ A corporate Delivery Board was established in March 2023 driving our MTFP and Working Smarter deliverables across four workstreams – Assets, Demand & Insight, Efficiency & Innovation, and People & Culture. ➤ 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 ➤ Quality Assurance - examples of good practice exist at service level e.g. People’s Services ➤ 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 ➤ Sector Led Improvement (SLI) challenge from regional peers in Children’s and Adults’ services; alongside engagement with the LGA across all Council services

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		<ul style="list-style-type: none"> ➤ The impending review process from the newly established Office for Local Government (OFLOG) ➤ Active Executive Scrutiny performance forward plan focused on Council Scorecard / Council Plan / Recovery Plan outcomes ➤ 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. ➤ The Council is focusing its transformation interventions around 4 partnership themes of Vibrant Derby, Growth Derby, Green Derby and Resilient Derby.
	2. Planning interventions	<ul style="list-style-type: none"> ➤ 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 ➤ 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
	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 alongside a corporate PMO Board ➤ A Gateway process for programme and project decision making was launched in March 2019, 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 now

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		<p>supported by a new SharePoint platform to further strengthen governance. Furthermore, there is now also 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</p> <ul style="list-style-type: none"> ➤ Our Corporate Leadership Team has strategic oversight of major issues affecting the Council with a tightly managed forward plan; including through the Delivery Board.
<p>Principle E Developing its capacity, including the capability of its leadership and the individuals within it.</p>	<p>1. Developing the entity's capacity</p>	<ul style="list-style-type: none"> ➤ 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). ➤ 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.
	<p>2. Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> ➤ 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. ➤ 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 ➤ We have a leadership accountabilities and expectations framework for

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<p>Principle F Managing risks and performance through robust internal control and strong public financial management.</p>	<p>1. Managing risk</p>	<p>managers from Director to team manager</p> <ul style="list-style-type: none"> ➤ Our Risk Management Strategy and Handbook was reviewed and updated in 2023. Considerable work has taken place during the year to embed the framework more consistently across the organisation. We have agreed a Risk Appetite statement, informed by a risk maturity self-assessment. ➤ Risk management training has been rolled out to managers, senior officers, Cabinet and Audit & Governance Committee members; with a schedule of activities planned for 2023 ➤ A Corporate Risk Management Group is established, chaired by the Director of Governance, Property and Procurement, with Risk Champions identified in all directorates ➤ 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. ➤ 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) ➤ The Audit Plan transitioned into a rolling programme rather than an annual programme to respond to emerging risks and to focus on COVID-19 and post Coronavirus impacts ➤ Audit & 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
	<p>2. Managing performance</p>	<ul style="list-style-type: none"> ➤ 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) ➤ Individual projects have their own targets and performance reviews set within them and are reported via the projects teams as required. Projects are

Governance Principle	Sub-Principle	Assurance on Compliance
		<p>tracked through the Project Management Platform, with reporting on priority projects to CLT and Cabinet every three months as part of integrated performance monitoring.</p> <ul style="list-style-type: none"> ➤ Performance management is reported on a quarterly basis to the Cabinet, the Corporate Leadership Team and Executive Scrutiny Board. ➤ CLT also receive a monthly performance highlight report, on areas of key risk / priority.
	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 ➤ 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)
	4. Managing data	<ul style="list-style-type: none"> ➤ We have in place a suite of Information Governance Policies and Procedures that are monitored by the Information Governance Team ➤ We have senior officers who fulfil the roles of the Senior Information Risk Owner and the Caldicott Guardian ➤ All officers and Councillors are required to undertake mandatory e-Learning training on information governance ➤ The importance of reporting breaches of Data Protection legislation is well publicised
	5. Strong public financial management	<ul style="list-style-type: none"> ➤ We have 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 we will fund our activities and invest in the future ➤ We have in place a statutory Section 151 Officer, who reports directly to the CEO, with finance teams that support the budget holders ➤ Financial Procedure Rules and Contract Procedure Rules are in place and regularly updated

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		<ul style="list-style-type: none"> ➤ 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
<p>Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p>	<p>1. Implementing good practice in transparency</p>	<ul style="list-style-type: none"> ➤ Agendas for all Council meetings are publicly available on our website ➤ We have regard to the local Government Transparency Code 2015, publishing required information at Open data and transparency - Derby City Council ➤ We comply with The Openness of Local Government Bodies Regulations 2014 ➤ We have a Whistleblowing Policy in place
	<p>2. Implementing good practices in reporting</p>	<ul style="list-style-type: none"> ➤ 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. ➤ All reports are taken through Democratic Services and require clearance by legal and finance as a minimum ➤ Agendas, reports and minutes of meetings of Council, Committees and Cabinet are available on our website, save for reports which contain information that is exempt from publication
	<p>3. Assurance and effective accountability</p>	<ul style="list-style-type: none"> ➤ The 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 ➤ We have 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 also set out in the Constitution.

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 2022/23 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 2023:

“The Head of Internal Audit's opinion for 2022/23 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 2022/23 considered by the Audit and Governance Committee on 14th June 2023.

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”. The report also states that CMAP compared favourably with peer groups in both local government and the private sector. CMAP came out as “best in class” position in terms of all the EQA reviews that the external assessor had done within local government. Feedback to the CMAP Operational Group was that CMAP was an established team that was well regarded by clients.

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 and 2022/23 and associated opinions have not been issued. At this stage we do not believe there will be any material changes to the statements.

The resourcing and timing of the External Audit Process from the appointed auditor remains a significant concern to the Council and its Audit and Governance Committee.

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 218 Information Security Breaches reported, which equated to 186 actual breaches to the IG Team in 2022/23. The number of serious and reportable incidents has increased by almost 50%, 29 breaches were reported to the Information Commissioners Office (ICO) last financial year. 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 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

The Council continued to embed the Project Management Office arrangements and gateway reviews. This has been successful in ensuring projects managements arrangements are in place and that reviews take place at the appropriate points. In particular, new schemes are being assessed and assurances sought before the project moves to delivery stage. Significant steps have been taken in respect of project documentation and targeted support from the PMO, building skills and supporting the timely process of gateway reviews. In 2022/23 there were 31 items/areas considered by the Board.

Over the last year; over 200 programmes and projects have been actively managed through the Project Management Platform (PMP); where there are tools, checklists and templates available to ensure effective programme and project governance.

To further develop our assurance oversight, we introduced an Assurance and Development (A&D) Group, which underpins the PMO Board and has representatives from key functions (including Internal Audit) with representation from all directorates and aims to:

- support the maintenance of an effective programme and project pipeline, ensuring that gateway decisions are presented to the PMO Board at the most suitable time in the programme / project timeline
- strengthen and improve the PMO assurance activities including reviews of gateway submissions prior to attendance at the PMO Board
- own and shape the PMO roadmap including recommendations for what services and support the PMO should offer, how it should interact with projects, programmes and service areas across the council, and general service improvement
- horizon scan project activity across the council and the city, ensuring projects meet Council objectives
- provide technical expertise and assurance in relation to programme and project related activity
- review end of project reports ensuring that lessons learnt are shared with the rest of the Council, shaping recommendations to leaders, as appropriate.

The programme and project pipeline is more robust, and 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).

Guidance has been developed on risk escalation and de-escalation, to increase consistency

and improve alignment with our risk management framework.

The Project Manager Network is also in place and meeting regularly, items considered over the year have included:

- Baseline documents and change control processes
- A52 lessons learnt
- Programme and project roles and responsibilities
- Configuration management
- NAMRC and Pennine Hotel lessons learnt
- Project Management Platform review and learning.

There is also annual reporting to the Audit and Governance Committee on activities pertaining to programme and project management development and assurance activities.

During 2022/23 the Corporate Risk Management Group continued to be effectively chaired by the Director of Legal, Procurement and Democratic Services. Member oversight is provided through the Scrutiny and Cabinet processes and the portfolio holder sitting on the Corporate Risk Management Group. Director Assurance Statements provided as part of the AGS preparation demonstrate increased embedding of robust risk registers into projects and directorate reporting.

During 2022/23, there were 13 targeted risk assurance reviews completed (alongside 14 reviews of risks pertaining to programme and/or project gateways assurance reviews), to aid risk identification, control and mitigation.

Key developments in our risk management framework in 2022/23 have included:

- guidance on risk escalation and de-escalation has been developed to aid risk identification and analysis;
- sign-off arrangements have been added to risk registers to strengthen oversight and governance;
- a review and alignment of risk registers had been completed, including strengthening our risk register templates;
- the Assurance Team introduced six-monthly assurance reviews on strategic and directorate risks where the scores remained unchanged, despite mitigations, to make sure that risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls;
- a self-assessment of risk maturity was completed;
- risk appetite statements have been developed and issued;
- further guidance is available on risk appetite and tolerance; and
- updated Risk Management Strategy and Handbooks were published.

It should be noted that following an Internal Audit of Risk Management in 2021/22 (when 'reasonable assurance' was reported), that all associated 'low risk' recommendations have been actioned.

7. Senior Management Assurance Statements

Senior Management Assurance Statements were produced by all Directors for the financial year 2022/23. Against 15 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 2022/23?

The key governance issues to be reported are:

Financial Resilience

The Council focused on financial resilience to deliver a balanced budget. An overspend was reported in Quarter 1 that was mitigated through the introduction of a Spending Review Panel and a Placement Panel. This allowed the Council to report a small surplus at the end of 2021/22

Given, the Council's historically low level of reserves this needs to be actively managed during 2022/23 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.

Long Term Waste Management Contract

The Council (along with the County Council) continued in 2022/23 to preserve and assess the Waste Treatment Plant at Sinfin to establish the cost of remediation, future operation and Adjusted Estimated Fair Value (AEFV), with the support of professional advisors. This work continued through 22/23. It should be noted that in June 2023 the Councils reached agreement on the AEFV with RRS (Derbyshire) Limited and have now entered into a Settlement Agreement.

Special Educational Needs and Disabilities

The High Needs Block of the Dedicated Schools Grant (DSG) moved into a deficit position, reflecting the national trends. The Council formed a strategic partnership with Impower, a specialist consultancy firm, to add capacity to deliver transformational change, improving outcomes and delivering value for money services to ensure that the DSG deficit was planned and managed.

Inspections and assessments

Over the last year, alongside sector-led improvement activities for both Adult and Children’s services, the focus has been on preparing for the Care Quality Commissions (CQC) proposed inspection framework for Adult Social Care.

There were no formal inspection reports published in 2022/23.

Election/Constitutional Changes

The Council agreed to move to four yearly “all out” elections from May 2023, following a ward boundary review by the Local Government Boundary Commission for England. The change to the electoral cycle will allow more stability and development of a longer-term planning horizon to deliver agreed outcomes for and with the city. As part of this, the Council has commissioned external support to review the Council Constitution, to aid this transition 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 received by the Council in July, pending a second period of consultation with a cross-party working group of councillors and officers charged with governance.

Progress on Improvement Areas Arising from previous Annual Governance Statements

There were several governance issues raised in the 2021/22 Annual Governance Statement:

2022/2023 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">• Use predicative analytics to manage demand• Model financial scenarios• Implement and embed Service prioritisation and service reviews	<p>Ongoing modelling of latest projections based on in-year monitoring and insight reports inform reporting to CLT and the MTFP. MTFP is updated annually in the Autumn.</p> <p>Setting of balanced budget February 2023</p> <p>Corporate 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>Manage Increased Demand for Council Services</p> <ul style="list-style-type: none">• Understand demand, dependency especially for statutory services, e.g. social care, homelessness	<p>Specific 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>

<ul style="list-style-type: none"> Investigate opportunities regarding market provision/sufficiency to reduce reliance on external provision 	
<p>Undertake Constitutional Review</p> <ul style="list-style-type: none"> External Review Cross Party Panel Officer Working Group 	<p>A first draft of a refreshed Council Constitution was received in July 2023, following a review conducted by the Centre for Governance and Scrutiny (CFGs) in Autumn 2022.</p> <p>The review is being overseen by a cross-party Constitutional Working Group. Work currently being undertaken to ensure consistency with Financial and Contract Procedure Rules, before wider consultation with councillors.</p>

What are our key governance development priorities for 2023/24?

The impact of the COVID 19 pandemic has fundamentally reshaped the role, functions and sustainability of Local Government. The key governance priorities for 2023/24 are:

2023/2024 Recommendation	Responsible Officer and Target Implementation Date
<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"> Use predictive analytics to manage demand Model financial scenarios Implement and embed Service prioritisation and service reviews Monitoring of the Treasury Strategy and capital and revenue forecasts Develop a DSG management plan to manage the DSG deficit and implementation of the SEND transformation 	<p>Chief Executive Section 151 Officer CLT (All Directors)</p> <p>Ongoing quarterly reporting and implementation of mitigating actions (co-ordinated through the Corporate Delivery Board).</p> <p>Approved MTFS in Autumn 2023.</p>
<p>Implementation of a new financial management system</p> <ul style="list-style-type: none"> Procurement and system development 	<p>Section 151 officer 1 April 2023</p> <p>Phase 2 system development Dec 2023</p>

<ul style="list-style-type: none"> Implementation of core financials (AP, AR and GL) 1 April 2023 	
<p>Manage Increased Demand for Council Services</p> <ul style="list-style-type: none"> Understand demand, dependency especially for statutory services, e.g. social care, homelessness Investigate opportunities regarding market provision/sufficiency to reduce reliance on external provision 	<p>Strategic Directors and Directors</p> <p>Prioritised and reported through Corporate Delivery Board against agreed outcomes.</p>
<p>Undertake Constitutional Review</p> <ul style="list-style-type: none"> External Review Cross Party Panel 	<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 2022/23 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2023/24. 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 and additional assurances sought from the workplan of Internal Audit.

Councillor Baggy Shanker
Leader of the Council



Paul Simpson
Chief Executive



October 2023
Signed on behalf of Derby City Council