



## ANNUAL GOVERNANCE STATEMENT 2021/22

### 1. Introduction

This Annual Governance Statement explains how Derbyshire Dales District Council has complied with its own code of corporate governance and against guidance on best practice\*.

Corporate governance is about making sure that the council is run properly. It relates to the systems, processes, values and culture which ensure that the Council develops, delivers and reviews the services it provides, works collaboratively and engages with and leads the community it serves. It is about trying to achieve the Council's objectives while acting in the public interest at all times. This means carrying out business so that the Council:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk;
- secures continuous improvements in the way that it operates.

Good corporate governance ensures that the Council meets its published objectives whilst also assessing whether those objectives have delivered the services at an appropriate cost. It consists of the systems, controls and procedures that ensure that certain desirable activities happen or that undesirable events are avoided. It cannot and does not set out to eliminate all risks in relation to the failure to deliver policies and objectives as this is neither achievable nor desirable. It can therefore only provide a reasonable level of assurance, based on an assessment of the likelihood and the potential impact of risk to the achievement of the Authority's stated objectives, balanced with the resources available to deliver those objectives.

The Authority has published a Code of Governance which sets out the seven key principles of good governance to which it aspires. It sets out the main principle of good governance and the means of demonstrating compliance for each of these principles. A copy of the current Code is available on the [governance page](#) of our website.

The processes being reviewed in this Statement have operated throughout the whole of the financial year ending 31 March 2022 and will remain in operation up to the date of approval of the 2021/22 Statement of Accounts (draft due for approval by 31 July 2022, final by 30 November 2022). The key elements of the framework which are in place to meet the Council's responsibilities under the Code are set out in the following pages, together with an Action Plan (at the end of this statement) to identify any significant governance issues and explain how the Council will address them.

\*The guidance applicable to 2021/22 is the CIPFA/SOLACE publication "Delivering good governance in local government", issued in April 2016.

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

The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of transition. The Council's Corporate Plan sets out its priority actions.

Every year a review of the effectiveness of the Council's governance framework is conducted by the Corporate Leadership Team, supported by officers from policy, financial services and legal. Consideration is also given to reports from internal and external audit and from other inspection bodies (e.g. the Local Government Ombudsman's Annual report and findings on individual complaints, Food Standards Agency assessments and peer reviews).

The focus of the review is to:

- collate and evaluate evidence of corporate governance arrangements;
- compare the evidence against the Council's Code of Corporate Governance and the CIPFA/SOLACE guidance\*;
- identify areas requiring action, which are highlighted in the Action Plan at the end of this statement.

The governance review process includes:

- The consideration of the Statement of Accounts;
- The Internal Audit Annual Report, which includes the Internal Audit Consortium Manager's opinion on the overall adequacy and effectiveness of the Council's control environment ;
- A review of compliance with the Council's Local Code of Corporate Governance with reference to CIPFA/Solace Guidance;
- An assessment of compliance with CIPFA's Financial Management Code;
- Sign off by the Leader of the Council and the Chief Executive, once approved.

On the basis of our internal review of the operation of the Governance Framework and our assessment against the provisions of the CIPFA/SOLACE Code, the arrangements for the 2021/22 financial year have been assessed as **COMPLIANT, with some planned improvements required**. This indicates that, in general, strong systems are in place but that there are some processes where further action is required.

Details of the review are set out in the following pages of this statement.

A success during 2021/22 is indicated by



Areas for improvement are highlighted by



This year **six** governance issues have been identified; the action plan outlined at the end of this statement summarises the areas of governance focus needed to maintain an effective governance framework in respect of these issues.

### 3. Did we meet the principles of Corporate Governance set out in our Code?

PRINCIPLE 1 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We have set out our priorities in our Corporate Plan;</li> <li>➤ Our Codes of Conduct for members and employees set out clearly the standards that are expected, arrangements for reporting non-compliance and sanctions for any misconduct;</li> <li>➤ Our values have been embedded in policies and processes;</li> <li>➤ We require external organisations that provide services on behalf of the Council to act with integrity and in compliance with ethical standards expected by the Council</li> <li>➤ We make sure that employees, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements;</li> <li>➤ We strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders;</li> <li>➤ We deal with breaches of legal and regulatory provisions effectively;</li> <li>➤ We have effective arrangements to deal with incidents involving misuse of power</li> <li>➤ We have effective arrangements in place for the discharge of the head of paid service function.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Corporate Plan</a></li> <li>• Elected Member Code of Conduct</li> <li>• Periodic report to Council from the Independent Remuneration Panel on Members Allowances</li> <li>• Employee Code of Conduct</li> <li>• Planning Code of Good Practice</li> <li>• Protocol on Employee/Member Relations – Constitution</li> <li>• <a href="#">Constitution</a></li> <li>• Sponsorship Policy</li> <li>• <a href="#">Risk Management Policy and Strategy</a></li> <li>• Risk assessment of reports</li> <li>• Annual Complaints Report</li> <li>• Confidential Reporting (Whistleblowing) Policy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> <li>• Corporate Enforcement Policy</li> <li>• Regulation of Investigatory Powers Act Surveillance Policy &amp; Annual Report</li> <li>• Protocol on the Management of the Civic Allowance</li> <li>• Inductions for new members and employees</li> <li>• Annual Performance and Development Reviews</li> <li>• Job Evaluation Panel</li> <li>• Complaints Policy</li> <li>• Employee recruitment, interview and selection procedure</li> </ul>	<p style="text-align: center;"></p> <p>A new Corporate Plan setting out our vision and improvement priorities for 2020 – 2024 was approved in March 2020 and reviewed in March 2021 when specific targets were set for 2021/22. Progress against targets is monitored quarterly.</p> <p>Our internal audit reviews in 2021/22 have not identified any incidents of fraud.</p> <p>The Anti-Fraud, Bribery and Corruption Policy (including Money Laundering) was reviewed and updated during 2018/19. It was due for a review in 2020/21, but this has been deferred to 2022/23 due to resources being diverted to addressing the impact of coronavirus during 2020/21 and 2021/22.</p>

	<ul style="list-style-type: none"> <li>• Job descriptions</li> <li>• Compliance with CIPFA’s “Statement on the Role of the Role of the head of Internal Audit”</li> <li>• Compliance with CIPFA’s “Statement on the Role of the Chief Financial Officer in Local Government”</li> <li>• Records of legal advice provided by officers</li> <li>• Monitoring Officer provisions</li> <li>• Procurement policy</li> <li>• Information Governance Framework and Strategy</li> <li>• Data Protection Policy</li> <li>• Contracts with service providers.</li> <li>• Reports from the Local Government Ombudsman &amp; Annual Report to Governance &amp; Resources Committee</li> <li>• Audit reports issued by Food Standards Agency</li> <li>• Food Law Enforcement Service Business Plan</li> <li>• The Chief Executive is the Council’s Head of Paid Service, who is supported in this role by the Corporate Leadership Team and the Human Resources Manager.</li> </ul>	<div style="text-align: center;">  </div> <p style="text-align: center;">It has been identified that there is a lack of awareness amongst some employees of what is required to ensure compliance with Financial Regulations and Contract Standing Orders relating to procurement and contract management. It is recommended that a review of financial regulations and contract standing orders should be undertaken and, following that, employee awareness should be raised and training, guidance and support provided.</p>
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PRINCIPLE 2 – Ensuring openness and comprehensive stakeholder engagement		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ Our Committee and Council meetings are open to the public and agendas, reports and minutes are available on our website;</li> <li>➤ The minutes of our meetings provide clear reasoning and evidence for decisions;</li> <li>➤ We have a clear policy on information transparency;</li> <li>➤ On our website we publish key performance indicators, financial information and details of the earnings, interests and activities of our Members and senior managers.</li> <li>➤ We consult widely on our plans and use feedback to inform our decisions; we provide information in response to Freedom of Information requests wherever possible to do so under relevant law and outline any exceptions to this policy. We publish our Freedom of Information Policy and procedures.</li> <li>➤ We operate clear and accessible arrangements for procuring supplies and services.</li> <li>➤ We have regular meetings with larger Town and Parish Councils to ensure that we work more closely.</li> <li>➤ We have a programme of forums / workshops to engage with local businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Constitution</a></li> <li>• <a href="#">Corporate Plan</a></li> <li>• Reasoned decisions at quasi- judicial meetings</li> <li>• Annual review of Planning decisions</li> <li>• FOI Publication Scheme</li> <li>• Details of spending over £250 on website</li> <li>• Regulation of Investigatory Powers Act 2000 Policy</li> <li>• Data Protection Policy</li> <li>• Council and Committee decisions</li> <li>• Report pro-formas</li> <li>• Web casting and recording of meetings</li> <li>• Public Participation Scheme</li> <li>• Area Community Forums</li> <li>• Town and Parish Council Conference</li> <li>• Market Traders Forums</li> <li>• Matlock Bath Illuminations Project Group</li> <li>• Council website</li> <li>• Calendar of meetings</li> <li>• Communications Strategy</li> <li>• Community &amp; Engagement Strategy</li> <li>• Equality, Consultation and Engagement Plan</li> <li>• Equality and Diversity Policy</li> <li>• Annual Equality Plan</li> <li>• Residents' Panel</li> <li>• Business Engagement Programme</li> <li>• <a href="#">Statement of Community Involvement</a></li> <li>• Record of consultations and use of feedback from consultations</li> </ul>	<p style="text-align: center;"></p> <p>The Local Government Association Peer Challenge team reported that the district council has a good understanding and appreciation of its local context and is focussing on continually improving local community relationships. The Council is also regarded as an effective leader of the district by partners who attest to the authority being a good partner to work with.</p> <p>The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:</p> <ul style="list-style-type: none"> <li>• Developing a strong narrative and vision for the area;</li> <li>• Improvements to the Corporate Plan;</li> <li>• Ensuring that the approach to commercialisation is realistic;</li> <li>• Consideration of the Council's skills base and investment capability;</li> <li>• Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.</li> </ul> <p>In July 2020 the Council approved a Peer Challenge Action Plan to address these issues. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus pandemic. However, the Peer Review Action Plan was reviewed and updated at Council on 25th</p>

	<ul style="list-style-type: none"> <li>• Contract standing orders</li> <li>• Financial Regulations</li> <li>• Procurement Strategy</li> <li>• Reasons for decisions recorded in all regulatory and quasi-judicial matters</li> <li>• All reports include options, risks and potential outcomes</li> <li>• Procurement decisions require a clear audit trail including reasons</li> <li>• All recruitment decisions are reasoned and recorded</li> </ul>	<p>November 2021. While the implementation of these actions will strengthen the Council, they are not seen as significant governance issues.</p> <p style="text-align: center;"></p> <p>During 2021/22 we received 662 Freedom of Information requests (up from 621 in 2020/21). We responded to 531 FOI requests (80%), redirected 867 (13%) to Derbyshire County Council and 45 requests (7%) were covered by exemption. Where requests were covered by exemption, we gave details of the exemption in our response; the most common reason for exemption (29 requests) was that the information was already accessible by other means.</p> <p>Contract Standing Orders and Financial Regulations were reviewed and updated in July 2020. Further reviews are underway in 2022.</p>
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<b>PRINCIPLE 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits</b>		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We have set out our priorities, aims, vision and values in our Corporate Plan;</li> <li>➤ We set key performance indicators for each year and monitor actual performance against targets;</li> <li>➤ We have a medium term financial strategy to ensure our financial sustainability;</li> <li>➤ We operate an effective system of risk</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan &amp; Priorities</li> <li>• Service Plans</li> <li>• Community &amp; Engagement Strategy</li> <li>• Equality, Consultation and Engagement Plan</li> <li>• Risk Management Strategy</li> <li>• Medium Term Financial Strategy</li> <li>• Annual Revenue Budget</li> <li>• Capital Programme &amp; Prudential Indicators</li> <li>• Annual Governance Statement (part</li> </ul>	<p style="text-align: center;"></p> <p>We have a target to pay 99% of non-disputed supplier invoices within 30 days. In 2021/22 we paid 99.1% of non-disputed supplier invoices within 30 days – only 42 invoices were paid late.</p> <p>Over 2020/21 and 2021/22, the Council has paid over £73m (14,658 grant payments) to support businesses affected by the coronavirus pandemic.</p>

<p>management;</p> <ul style="list-style-type: none"> <li>➤ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health, human rights, personnel and property issues;</li> <li>➤ We carry out equality impact assessments to ensure fair access to services.</li> </ul>	<p>of the Statement of Accounts)</p> <ul style="list-style-type: none"> <li>• Annual Audit Report from external auditor</li> <li>• Financial Regulations – Constitution</li> <li>• Contract Standing Orders – Constitution</li> <li>• Asset Management Plan</li> <li>• Climate Change Strategy and Action Plan</li> <li>• Equality Impact Assessments</li> <li>• Area Community Forums</li> <li>• Planning: Material Considerations</li> <li>• Committee Reports</li> <li>• Consultation feedback is taken into account at the point of decisions</li> </ul>	<p>Working with our partner, Chesterfield Borough Council, we paid £256,500 (513 payments) under the Test and Trace Support Scheme from October 2020 to March 2022.</p> <div style="text-align: center;">  </div> <p>An area for improvement is to introduce a Sustainable Procurement Policy, which is currently being developed.</p>
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<b>PRINCIPLE 4 - Determining the interventions necessary to optimise the achievement of intended outcomes.</b>		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ Our reports include an assessment of financial, legal and corporate risks and consider equalities, environmental, health, human rights, personnel and property issues;</li> <li>➤ We consult and use feedback from residents and service users when making decisions about significant service changes;</li> <li>➤ We have strategic and operational plans, including a medium, term financial strategy, annual budgets, and service plans, that support the aims set out in the corporate plan;</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation and review of feedback including Area Community Forums</li> <li>• Risk Management Hub &amp; Risk Registers</li> <li>• Key Performance Indicators</li> <li>• Service Plans</li> <li>• Medium Term Financial Strategy Medium Term Financial Plan Budget preparation in accordance with agreed strategy and MTFP.</li> <li>• Budget guidance and processes, including revised estimates</li> <li>• Capital Programme process and scorecard</li> </ul>	<div style="text-align: center;">  </div> <p>We updated our Medium Term Financial Strategy in March 2021 and our Medium Term Financial Plan in July 2021 and March 2022. This was less frequently than usual owing to additional workloads arising from the coronavirus pandemic. The reduced frequency in 2021/22 was not viewed as a significant governance issue. However, the Council’s Medium Term Financial Plan needs to be updated more regularly during 2022/23 to reflect the impact of rising inflation and to show how the Council plans to address the budget gap for future years. See Principle 6 for further information</p>

<ul style="list-style-type: none"> <li>➤ We set key performance indicators (KPIs) to identify how the performance of services and projects is measured. We include financial penalties in outsourced contracts that can be used when KPIs are not achieved.</li> <li>➤ We consider and monitor risks facing each partner when working collaboratively, including shared risks</li> <li>➤ We review service quality regularly</li> <li>➤ Our medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>➤ We aim to achieve 'social value' through service planning and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Audit Report from external auditor</li> <li>• Confidential Reporting (Whistleblowing) Policy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> <li>• Regulation of Investigatory Powers Act Surveillance Policy</li> <li>• Annual Review of Complaints</li> <li>• Calendar of meetings</li> <li>• Communications Strategy</li> <li>• Minutes of regular monitoring meetings with outsourced service providers including details of compliance with Key Performance Indicators</li> </ul>	<div style="text-align: center;">  </div> <p>The Local Government Association Peer Challenge team reported that through focused and prudent management, the council has a strong financial position which provides a foundation for the council's future ambition.</p> <p>In 2020/21 we made a Declaration of Air Quality Management Area for nitrogen dioxide in relation to Buxton Road and St John's Street in Ashbourne. We continued to monitor air quality levels in 2021/22.</p> <p>We have regular meetings with contractors who provide outsourced services.</p> <p>Due to the coronavirus pandemic some KPIs were suspended during 2020/21 and 2021/22 in accordance with Cabinet Office guidance for the outsourced contracts.</p> <p>There was no suspension of KPIs in 2021/22 for the Leisure contract. It was however, agreed that the KPI for participation would be relaxed for the year, due to recovering from reduced attendances as a result of Govt. COIVD requirements to initially close sites and, later in the year, to limit numbers.</p> <p>The contract is monitored on a monthly basis for service standards and on quarterly basis for contract performance. The yearend figure for participation was at 91% of normal operations, with ongoing work taking place to increase this amount.</p>
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There were three separate suspensions of KPIs on the waste and recycling contract, which were in line with the suspension of services. These were as follows:

- Garden Waste was suspended from 2 August to 27 August 2021, so KPIs for garden waste were suspended during this period;
- Food Waste was suspended from 26 July to 29 November 2021, so KPIs for food waste were suspended during this period;
- Food Waste was suspended from 1 - 31 March 2022, so KPIs for food waste were suspended during this period.

Due to the disruption experienced on the contract, meetings and reviewing of service performance is taking place on a more frequent basis than stipulated in the contract specification. In addition, the Council applied the maximum amount of financial deductions to the contract, as a result of underperformance in 2021/22, and those penalties have now been paid.

A review of the arrangements for letting the waste contract was undertaken by an independent consultant during 2021/22. The findings were reported to Council in February 2022. The report recommendations are being implemented. They include the following governance issues:

- To maintain and extend dialogue with the contractor to help manage contract behaviour and address outstanding issues and under performance;
- To resolve issues relating to incomplete management information and round optimisation;
- That the Corporate Leadership Team re-establish a corporate approach to overseeing the critical

		<p>success factors of implementing the contract, reacting to unsatisfactory performance and advising Members of on-going options for future delivery;</p> <ul style="list-style-type: none"> <li>• That a review of the corporate management capacity is undertaken to ensure that future transformational and modernisation projects are adequately resourced.</li> </ul> <p>The report recommendations are being implemented during 2022/23.</p> <p style="text-align: center;"></p> <p>In 2021/22 we carried out public consultation exercises on:</p> <ul style="list-style-type: none"> <li>• Proposed changes to the Housing Allocation Policy</li> <li>• Council tax empty homes premium</li> <li>• External wall insulation scheme</li> <li>• Research into conditions and outcomes for private landlords and tenants.</li> <li>• Biennial internal ICT user survey</li> <li>• Budget 2022/23</li> <li>• Residents survey</li> <li>• Market research into customer satisfaction with Leisure Facilities</li> <li>• Survey satisfaction levels with the users of two parks per year [Bakewell and Dimple in Matlock]</li> <li>• Three Area Community Forums</li> <li>• Review of the Council's Car Parking Order</li> <li>• Equipment for park in Middleton by Wirksworth</li> <li>• Wirksworth Market Place</li> <li>• Current and Future Electric Vehicle Ownership</li> <li>• Customer satisfaction with internal Business Support services</li> <li>• Matlock Bath Illuminations customer satisfaction.</li> </ul>
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		 <p>We have recognised that there was a lack of engagement from the public consultation on the Council's spending plans. The process is to be reviewed and improved during 2022/23, though this is not seen as a significant governance issue.</p>
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<b>PRINCIPLE 5 - Developing the entity's capacity including the capability of its leadership and the individuals within it</b>		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We recognise the benefits of partnerships and collaborative working;</li> <li>➤ All employees have an induction and an annual Performance and Development Review;</li> <li>➤ We have a Member Code of Conduct, inductions and a Member Training and Induction Programme to ensure that elected and appointed leaders understanding their roles and the Council's objectives</li> <li>➤ Our Constitution includes a Scheme of Delegation that sets out clearly the decisions that are delegated to officers</li> <li>➤ The leader and the chief executive have clearly defined and distinctive leadership roles</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation</li> <li>• Member Development Scheme</li> <li>• Employee Development Scheme</li> <li>• Member Training and Development Programme</li> <li>• Annual corporate and vocational training plan agreed by CLT</li> <li>• Insight – Internal management development programme</li> <li>• Member Induction</li> <li>• Member Representative roles</li> <li>• Employee Induction</li> <li>• Job Descriptions and Person Specifications</li> <li>• Arrangements for succession planning</li> <li>• Annual review of Scheme of Delegation, Contract Standing Orders and Financial Regulations</li> <li>• LOLA – internal training</li> </ul>	 <p>In 2021/22 our partner, Chesterfield Borough Council, achieved all the key performance indicators in the Revenues and Benefits contract, with the exception of two relating to in-year and prior year collection of council tax. These were impacted by the coronavirus pandemic and the Council's decision to take a light touch to debt recovery from March 2020 to August 2021.</p> <p>Our Performance and Development Review action plans are linked to the priorities set out in our Corporate Plan.</p> <p>In 2020/21 we recruited a Climate Change Project Officer. During 2021/22 we introduced a process to ensure that climate change implications are now considered in all reports to policy committees and full Council.</p>

- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- We encourage shared learning, including lessons learnt from governance weaknesses both internal and external;
- There is a public participation session at the beginning of Council and Policy Committee meetings,
- We have arrangements in place to support the health and wellbeing of our employees.

- programme
- Peer Reviews
  - Efficient use of systems and technology
  - Shared Learning: Notes of Management Meetings, Peer Reviews, Hubs, Benchmarking, Networking with other local authorities & through membership of organisations such as the Local Government Association.
  - Human Resource Policies
  - Employee counselling service
  - Work of Health & Safety Committee
  - Active Workplace Programme
  - Employee Group
  - Senior Management Team
  - Trade union recognition and consultation.



During 2021/22 the following mandatory training was undertaken by employees:

Course Title	Numbers Attended
Safeguarding and Child Protection	29
Safeguarding Adults at Risk	28
Managing Health & Safety	27
Equality Act 2010	28
Display Screen Equipment	23
Data Protection (Foundation) 2020	29
Data Protection (Data Security) 2020	30
Prevent (Counter Terrorism (2021)	32

The member training programme for 2021/22 was delivered containing the following items:

Course Title	Numbers Attended
Meetings Procedures for Chairs and Vice-Chairs	8
Decision Making and Ethics	22
Planning	27
Licensing and Appeals	12
PREVENT	22
RIPA	24
Equality and Diversity	26
Safeguarding	18
Treasury Management	18
Data Protection	26

		 <p>ICT security awareness training is mandatory for new employees who use ICT and it has to be refreshed every 2 years by all ICT users. In the last 12 months 177 ICT users, including staff and Members completed this training. The course content is currently being reviewed before progressing with a refresh to include both staff and Members.</p> <p>In 2021/22 we had 18 leaders/senior officers and 3 Councillors certified as Carbon Literate by the Carbon Literacy project. We have a programme in place for carbon literacy continuing training.</p>
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<b>PRINCIPLE 6 - Managing risks and performance through robust internal control and strong public financial management</b>		
How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ We have robust arrangements for risk management including a Risk Management Hub that meets regularly to review Strategic Risks;</li> <li>➤ Our risk management strategy and policies on internal control are aligned with corporate priorities;</li> <li>➤ The risks associated with delivering services through third parties are set out in our risk registers;</li> <li>➤ We have arrangements in place to prevent fraud, bribery and corruption;</li> <li>➤ We encourage effective and constructive challenge and debate on policies and objectives to support balanced and</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Risk Management Hub</li> <li>• Strategic and Service Risk Registers</li> <li>• Risk Management Annual Report</li> <li>• Risk assessment of all Committee/Council decisions</li> <li>• Internal audit and reports</li> <li>• External audit and reports</li> <li>• Annual Governance Statement</li> <li>• Financial Regulations</li> <li>• Budget Holder's Manual</li> <li>• Contract Standing Orders</li> <li>• Transparency &amp; Open Source Data</li> <li>• Medium Term Financial Strategy</li> <li>• Anti-Fraud, Bribery and Corruption Policy</li> </ul>	 <p>The external auditor's Annual Report for 2020/21, issued in February 2022. In respect of Value for Money arrangements, the report states "No significant weaknesses in arrangements were identified and there are no recommendations from our work." (The Annual Audit Letter for 2021/22 has not yet been issued).</p>

<p>effective decision making</p> <ul style="list-style-type: none"> <li>➤ We provide members and senior management with regular reports on service plans and on progress against Key Performance Indicators;</li> <li>➤ We report on a consistent basis between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</li> <li>➤ The Internal Audit Consortium Manager produces an Annual Report that provides an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control;</li> <li>➤ The Governance and Resources Committee provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment;</li> <li>➤ The Governance &amp; Resources Committee monitor the implementation of recommendations from internal audit reviews.</li> <li>➤ The Council has an Information Governance Framework and Strategy that sets out the arrangements to ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li> <li>➤ We review and audit the quality and accuracy of data used in decision making and performance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Management Strategy</li> <li>• Regular budget reporting and income monitoring (revenue and capital)</li> <li>• Regular reporting on service plans and performance against KPIs</li> <li>• Benchmarking information</li> <li>• Information Governance Framework &amp; Strategy</li> <li>• Designated Data Protection Officer</li> <li>• Data protection policies and procedures</li> <li>• Data sharing agreements</li> <li>• Privacy Impact Assessments</li> <li>• Procedure for Data Protection Security Breaches</li> <li>• Checks on access to data and systems</li> <li>• ICT systems patched regularly &amp; kept up to date</li> </ul>	<div style="text-align: center;">  </div> <p>The External Auditor's Strategy Memorandum to the Governance and Resources Committee in July 2022 identifies three significant audit risks and a planned testing strategy:</p> <ul style="list-style-type: none"> <li>• Management override of controls;</li> <li>• Risk of an error in the valuation of the pension fund net defined benefit liability valuation;</li> <li>• Risk of an error in the valuation of land and buildings and investment properties.</li> </ul> <p>At the time of writing this AGS, the testing has not been completed and there is no evidence to show that controls are not effective.</p> <div style="text-align: center;">  </div> <p>A report to the Governance &amp; Resources Committee in July 2022 indicates that the audit plan for 2021/22 has not been fully completed (see principle 7 below). At the time of writing this report both the Senior Auditor and the Internal Auditor have resigned from the Council's employment. Therefore it is almost certain that the delivery of the remainder of the 2021/22 audit plan and the delivery of the 2022/23 audit plan will be adversely impacted. A recruitment exercise is currently underway. If that proves unsuccessful, other options will be explored. It is recommended that audit resources be returned to adequate levels as soon as possible and the impact on the audit plan be monitored.</p>
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- Our financial management arrangements support both long term achievement of outcomes and short-term financial and operational performance
- All reports to Council and policy committees include a financial risk assessment.



The Council's Medium Term Financial Plan identifies a potential budget gap in future years. To mitigate this risk, the Council has a Medium Term Financial Strategy and Medium Term Financial Plan in place. However, the Council's Medium Term Financial Plan needs to be updated to show how it plans to address the budget gap for future years. Rising inflation will significantly increase the budget gap. Therefore the MTFP will be kept under review by the Corporate Leadership Team and an action plan will be developed to maintain a sustainable balanced budget.

Significant changes in Local Government finances are due to take place over the next few years, which will culminate in a major change in the way Local Government is financed in future. It is expected that the Local Government Finance Settlement, due in late 2022, will bring more certainty for 2023/24 and 2024/25 but there will still be uncertainties and difficulties in financial planning in the medium term. Once the outcome of the Fair Funding Review, the Comprehensive Spending Review and the Local Government Finance Settlement for 2023/24 and 2024/25 are known, the Medium Term Financial Plan will be updated. As a further mitigation measure, the Council has reserves and balances that could be used to balance the budget for 2023/24 while a savings plan is developed and the Medium Term Financial Plan is updated to ensure that subsequent budgets are financially sustainable over the medium term.



2020/21 was a shadow year for CIPFA's Financial Management Code. A baseline assessment reported to the Governance and Resources Committee in March 2021 indicated that there were six principles / standards identified as less strong, with a need for improvement and action; an action plan is in place but little progress was made in 2021/22 due to staffing resources being diverted to additional work arising from the coronavirus pandemic. None of the issues have been identified as significant governance issues. See separate section below.



Weaknesses have been identified in the arrangements for ensuring that systems are in place to meet grant conditions. It is recommended that Financial Regulations should be strengthened in this regard and that employees should be made aware.

**PRINCIPLE 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability**

How we meet this principle	Source of assurance	Successes and Areas for Improvement
<ul style="list-style-type: none"> <li>➤ Our reports are written in a style avoids jargon and can be understood by the public;</li> <li>➤ Our reports and minutes of meetings are available on our website;</li> <li>➤ We prepare an Annual Governance Statement that reports on compliance against our corporate governance framework;</li> <li>➤ Our financial statements are prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> <li>➤ The Governance &amp; Resources Committee undertakes the core functions of an audit committee and ensures that recommendations for corrective action made by external audit are acted upon</li> <li>➤ We have an effective internal audit service where the Internal Audit Consortium Manager has direct access to members to provide assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>➤ We welcome peer challenge, reviews and inspections from regulatory bodies</li> <li>➤ We have clear governance arrangements in place for partnership arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report on Service plans and performance management</li> <li>• Annual review of Corporate Governance framework</li> <li>• Annual Governance Statement</li> <li>• Review of actions recommended by internal audit service</li> <li>• Statement of Accounts</li> <li>• Audit Strategy Memorandum and Annual Audit Letter from External Auditor</li> <li>• Anti-fraud, bribery and corruption policy and reporting</li> <li>• Data Protection Officer and two Information Governance Officers in place</li> <li>• Compliance with CIPFA’s Statement on the Role of the Head of Internal Audit</li> <li>• Compliance with Public Sector Internal Audit Standards</li> <li>• Minutes of meetings from Partnership Board Meetings and Operational Review Meetings.</li> <li>• Annual Complaints Report to Governance &amp; Resources Committee</li> </ul>	<p style="text-align: center;">                       We report to Members regularly on performance against targets.                 </p> <p style="text-align: center;">  </p> <p>In 2021/22 11 out of 29 (38%) of audits planned at the start of the year have been completed. Six audit areas received substantial assurance, four gave reasonable assurance and one was classed as limited assurance (Waste Collection Contract).</p> <p>Significant governance issues raised during the audit reviews are disclosed elsewhere in this annual governance statement.</p> <p>The implementation of some internal audit recommendations was delayed due to staff resources being redirected during the coronavirus pandemic. Such delays related to health and safety, asset management and data protection. The majority of recommendations have now been implemented.</p> <p style="text-align: center;">  </p> <p>An internal audit report has identified opportunities to strengthen our arrangements for data protection (see action plan). Whilst 24 data breaches or near misses were identified between April 2021 and March 2022, none were serious enough to be reportable to the Information Commissioner’s Office (ICO).</p>

Reporting of data security incidents is actively encouraged; incidents are reviewed by the Information Governance Board to identify lessons to be learned and areas for improvement. The Information Governance Officer has utilised the staff intranet to promote data privacy awareness and best practice amongst colleagues.



The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:

- Developing a strong narrative and vision for the area;
- Improvements to the Corporate Plan;
  - Ensuring that the approach to commercialisation is realistic;
- Consideration of the Council's skills base and investment capability;
  - Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.

In July 2020 the Council approved a Peer Challenge Action Plan to address these issues. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus pandemic. However, the Peer Review Action Plan was reviewed and updated at Council on 25th November 2021. While the implementation of these actions will strengthen to Council, they are not seen as significant governance issues.

## 4. How the Council operates

### The Council

The Council is currently composed of 39 councillors elected every four years; the number is due to reduce to 34 following the elections to be held in May 2023. Elections were last held in May 2019. Councillors are democratically accountable to the residents of their respective wards. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors have to agree to follow the Council's Code of Conduct to ensure high standards in the way they undertake their duties. The Council's Monitoring Officer trains and advises them on the Code.

All Councillors meet together as the Council. Meetings of the Council are normally open to the public. Here Councillors decide the Council's overall policies and set the budget each year. The Council holds the policy committees to account, and is itself a policy development body. There is an opportunity at Council meetings for members of the public to participate by putting their questions to Councillors. There is provision for public participation and meetings are live-streamed on the internet. The Civic Chairman of the District of Derbyshire Dales reports to each meeting and the Leader of the Council has an opportunity to address the Council meeting on issues concerning the District of Derbyshire Dales at Council and his attendance at meetings with significant partners.

### The Council's Constitution

Derbyshire Dales District Council has adopted a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the Law, while others are a matter for the Council to choose.

The Constitution is divided into 13 Articles that set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols within the Constitution.

The Constitution is kept under review and amendments are approved at the Annual Meeting of the Council in May each year, or at other times as necessary.

### How decisions are made

Most day-to-day decisions are made by policy committees. The Council has two policy committees called 'Governance and Resources' and 'Community and Environment'. Committees also carry out a number of regulatory functions, including dealing with planning applications, licensing and most other regulatory business.

Meetings of the Council's policy and other committees are open to the public except where personal or confidential matters are being disclosed. There is provision for public participation where residents can present their views to councillors in person.

In addition, senior officers of the Council make decisions under delegated authority. The level of delegation is recorded in the Council's Constitution.

## **The role of the Governance and Resources Committee**

The Governance and Resources Committee takes the statutory role of an “Audit Committee” and provides independent review, challenge and assurance of the adequacy of the risk management framework and the associated control environment

Here are some of the key tasks that the Council has delegated to this Committee:

- To have an overview of the Governance framework and to develop and review supporting policies and procedures;
- To approve and review the Council’s Code of Corporate Governance and other supporting material;
- To approve the Annual Governance Statement and the Annual Statement of Accounts;
- To consider the External Auditor’s reports on issues arising from the Audit of Accounts, the External Audit Plan, the Annual Audit Letter etc.
- To approve and review the internal audit plan, consider major findings of internal audit investigations and management’s response, and promote co-ordination between the internal and external auditors;
- To keep under review the effectiveness of internal control systems, to receive the External Audit Management Letter on behalf of the Council and any representations and refer any issues requiring attention to the relevant committee and/or officer;
- To consider the appointment of the external auditor, the audit fee, the provision of any non-audit services by the external auditor and any questions of resignation or dismissal of the external auditor;
- To approve the Council’s Risk Management Policy and Strategy and consider the annual monitoring report as part of considering the effectiveness of Risk Management, including the risks of bribery, fraud and Corruption.
- To be responsible for the effective management of the Council’s land, buildings and property holdings;
- To act as the main “financial committee” to regulate and control the finances of the Council as defined in the Local Government Act 1972;
- To determine policy in relation to the Council’s duties and responsibilities as an “employer” and in relation to human resources, employee training and development and industrial relations issues;
- To determine policy and oversee arrangements in relation to the Council’s duties and responsibilities under the Data Protection Act;
- To undertake the role of the standards committee.

## **The role of the Community & Environment Committee**

The purpose of the Community & Environment Committee is to deliver the Council’s Priorities relating to People, Place and Prosperity.

The main services within the Committee’s remit include Waste Collection and Recycling, Parks, Street Cleansing, Car Parking, Leisure Services, Public Conveniences, Cemeteries, Climate Change, Environmental Health, Public Health and Safety, Economic Development and Housing.

## **Area Community Forums**

In order to give local people a greater say in Council affairs, there are 3 Area Community Forums. These cover the Northern, Central and Southern areas of the District and are intended to act as a focus point for mutual communication and consultation between the local community, stakeholders and Councillors from all local councils in their area. They are held in public at various meeting venues throughout the District.

## **The Council's employees**

The Council has people working for it to give advice, implement decisions and manage the day to day delivery of its services. Some employees have a specific duty to ensure that the Council acts within the law and uses its resources wisely. A Protocol governs the relationships between employees and members of the Council. Employees are required to follow the Council's Employee Code of Conduct to ensure high standards in the way they undertake their duties. The Council's Monitoring Officer provides guidance and advice on the Code.

## **Whistleblowing**

People working for the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace.

## **Citizens' Rights**

Citizens have a number of rights in their dealings with the Council. These are set out in more detail in Article 3 of the Constitution. Some of these are legal rights, whilst others depend on the Council's own processes. The local Citizens' Advice Bureau can advise on individuals' legal rights. Where members of the public use specific council services, for example as a leisure centre user or as an applicant for planning permission, they have additional rights. These are not covered in this Constitution.

Citizens' have the right to:

- Vote at local elections if they are registered
- Contact their local councillor
- Obtain a copy of the Constitution
- Attend meetings of the Council and its committees except where, for example, personal or confidential matters are being discussed
- Petition to request a referendum on a mayoral form of executive
- Participate in the Council's Public Participation Scheme
- Attend committee and Council meetings where key decisions are being discussed or decided
- See reports and background papers, and any record of decisions made by the Council and its committees.
- Complain to the Council about the exercise of any of its functions through the Complaints Scheme.
- Complain to the Council's Monitoring Officer about the behaviour of one of its Councillors or the behaviour of a local Parish/Town Councillor
- Complain to the Ombudsman if they think the Council has not followed its procedures properly. However, they are recommended to do this after using the Council's own complaints process
- Inspect the Council's accounts and make their views known to the external auditor.

## **The Corporate Plan**

The Corporate Plan sets out the vision and improvement priorities for Derbyshire Dales District over the next four years. It is the key strategy from which the District Council's Budget and Service Plans cascade. There are 3 broad priority areas:

- People - providing you with a high quality customer experience
- Place - keeping the Derbyshire Dales Clean, Green and Safe; and
- Prosperity - supporting better homes and jobs for you.

## **Managing Key Risks**

All Councillors and Managers are responsible for ensuring that risks are considered in the decisions they take. The Council has a Risk Management Policy and Strategy that is usually reviewed every two years. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated within our plans and strategies, so as to encourage responsible, informed risk taking.

## **Monitoring Officer**

The Director of Corporate and Customer Services is the Council's appointed Monitoring Officer. The Monitoring Officer is responsible for the legal governance arrangements for the Council and reviews the Constitution; oversees the ethical framework, and has a personal duty to report to the Council any breaches in the rule of law.

## **Chief Financial Officer**

The Director of Resources is the Council's appointed Chief Financial Officer and Section 151 Officer. This is a statutory post, responsible for delivering and overseeing the financial management of the council. The Chief Financial Officer is responsible for financial management at the Council. The role of Chief Financial Officer conforms with the good practice requirements within the CIPFA statement on "The Role of the Chief Financial Officer in Local Government". The Council's Chief Financial Officer is a full member of the Corporate Leadership Team and is supported by appropriately qualified and experienced staff.

The Director of Resources has taken a key role in reviewing corporate governance and in preparing this Annual Governance Statement. She is satisfied with the arrangements currently in place for financial management, though these will be improved when the action plan for CIPFA's Financial Management Code has been fully implemented. While the internal audit provision has been limited in 2021/22, as explained in this Statement, overall the control framework is operating effectively and no matters of significance have been omitted from this statement.

## **Managing Finances**

Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders, our accounting procedures and key financial systems. These include established budget planning procedures and quarterly budget reports to Council or Governance and Resources Committee. The Corporate Leadership Team monitors key income streams on a monthly frequency.

The Corporate Leadership Team monitors performance against the annual budget, capital programme and medium term financial plan.

There is a good system of budgetary control in place, which is enforced by the Corporate Leadership Team. Budget holders are identified for each revenue service or capital project. Training and guidance is provided by the Financial Services Team.

Capital projects are only put forward for Committee/Council approval after the Corporate Leadership Team has approved a business case, which ensures projects support the Council's priorities and that they are fully resourced and planned before spending can commence.

The Council has a Medium Term Financial Strategy that shows the overall direction of the Council's financial position over the next five years. This includes a Medium Term Financial Plan which indicates that a budget gap will arise over the next few years due to an expected reduction in government funding. The Council has a good track record of delivering savings. However, we face a challenge in producing a sustainable budget over the medium term in the face of rising inflation and further potential reductions in

government funding. The Council has reserves and balances that could be used in the short term to address any savings requirements for 2023/24 while a thorough review of income and expenditure is undertaken and an action plan developed. Given the amount set aside in usable revenue reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap has been to refrain from significant service reductions until the outcome of the government reviews is known. However, the Council's Medium Term Financial Plan now needs to be updated to show how it plans to address impact of rising inflation and address the widening budget gap. Therefore the MTFP will be kept under review by the Corporate Leadership Team and an action plan will be developed to maintain a sustainable balanced budget over the medium term.

The Council will continue to explore opportunities to help it to achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

There is a separate section (below) relating to the CIPFA Financial Management Code.

### **Internal Audit**

The Council receives substantial assurance from Internal Audit work who (through an agreed programme of testing – the Internal Audit Plan) review the adequacy of the controls and governance that operate throughout all areas of the Council.

Management of Internal Audit is provided by the Bolsover, Chesterfield and North East Derbyshire District Councils' Internal Audit Consortium. The Internal Audit Service has been managed and delivered in accordance with Public Sector Internal Audit Standards (PSIAS). The Governance and Resources Committee approved an Internal Audit Charter in 2020, which is due for review in the event of any significant changes being made to the PSIAS. The Charter sets out the role of internal audit and its responsibilities and clarifies its independence.

The Internal Audit Consortium Manager prepares an Annual Report for the Governance and Resources Committee. The Annual Report includes an opinion on the adequacy and effectiveness of the Council's control environment. The results of internal audit work concluded during the year is presented in the annual report but this does not result in a comprehensive opinion. Some assurance can be obtained from positive internal audit reviews in previous years and the work of the Risk Management Group, PSN compliance and external audit. Internal audit work can only give partial assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In 2021/22 11 out of 29 (38%) of audits planned at the start of the year have been completed. Six audit areas received substantial assurance, four gave reasonable assurance and one was classed as limited assurance (Waste Collection Contract). Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.

The Internal Audit Annual Report sets out an opinion relating to the adequacy and effectiveness of the Council's control environment. For 2021/22, it is considered by the Internal Audit Consortium Manager that sufficient assurance work has been carried out (albeit the bare minimum) to allow her to form a reasonable conclusion on the adequacy and effectiveness of Derbyshire Dales District Council's governance, risk and control arrangements. She states that "The exceptions to this are in respect of:

- the governance of the waste collection service – this is as a result of work undertaken by internal audit and by a consultant and was discussed at Council February 2022.
- procurement and contract management - there are concerns in respect of a lack of awareness amongst some employees of what is required to ensure compliance with Financial Regulations and Contract Standing Orders .
- the arrangements for ensuring that systems are in place to meet grant conditions, where weaknesses have been identified;
- the late implementation of some internal audit recommendations (mostly implemented)”.

These exceptions have been reflected in this Annual Governance Statement.

During 2021/22 one “limited assurance” report was issued (relating to the waste management contract) and in 2022/23 (to June 2022) no “inadequate or limited assurance” reports have been issued. The audit review with limited assurance has been reported in the annual governance statement as a significant governance issue. Where weaknesses have been identified through internal audit review, management have agreed appropriate corrective actions and a timescale for improvement. Reports are presented to the Governance & Resources Committee to inform them of the outcome of audit reviews and progress on implementing recommendations.

During 2020/21 and 2021/22, the implementation of some internal audit recommendations was delayed due to staff resources being redirected during the coronavirus pandemic. Such delays related to health and safety, asset management and data protection. The majority of recommendations have now been implemented.

At the time of writing this report both the Senior Auditor and the Internal Auditor have resigned from the Council’s employment. Therefore it is almost certain that the delivery of the remainder of the 2021/22 audit plan and the delivery of the 2022/23 audit plan will be adversely impacted. A recruitment exercise is currently underway. If that proves unsuccessful, other options will be explored. To avoid a “limitation of scope” opinion in 2022/23, it is recommended that audit resources be returned to adequate levels as soon as possible and the impact on the audit plan be monitored.

An external review of Internal Audit was undertaken in 2021. The independent report concludes that current services are assessed to ‘generally conform’ with the PSIAS and compare favourably with peers; there are no areas where the service does not comply with the standards. A series of specific recommendations are made in the report to reflect building on the existing considerable strengths in relation to resources, competency and delivery in order to enhance future service delivery. The key theme running through is to continue to build on a risk approach and strengthen the risk thread through documentation. A report and action plan was presented to the Governance and Resources Committee in September 2021 and an action plan progress report was presented in January 2022. This means that Members can have confidence in the quality of service provided by internal audit.

### **External Audit & Other Inspections**

The Council’s external auditor is currently Mazars LLP.

On 18 November 2021 Mazars issued an unqualified opinion in relation to the Council’s 2020/21 statutory financial statements. In the Audit Completion Report relating to the Council’s financial statements for 2020/21 the External Auditor made three recommendations relating to internal controls in place in regard to the preparation of the leases note, the preparation of the grants note and the controls in place for the preparation of the notes relating to officers’ pay in the Statement of Accounts for 2020/21 (all low priority). These recommendations were considered and implemented during the preparation of financial statements for 2021/22.

In February 2022 the external auditor issued his Annual Audit Report in respect of 2020/21. The report indicates that the external auditor reviewed the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2021. No significant weaknesses in arrangements were identified and there were no recommendations arising from the work.

### **Local Government Association (LGA) Peer Challenge**

The LGA Corporate Peer Challenge review was undertaken 22nd – 24th October 2019 and the final feedback report was received and circulated to all Members on 21st January 2020.

The Local Government Association Peer Challenge team made several recommendations to address a series of challenges, including:

- Developing a strong narrative and vision for the area;
- Improvements to the Corporate Plan;
- Ensuring that the approach to commercialisation is realistic;
- Consideration of the Council's skills base and investment capability;
- Engaging with strategic and local organisations to build trust and community capacity to advocate for and deliver on important initiatives.

In July 2020 the Council approved an Action Plan, to address these issues, with a timescale for implementation. Progress on implementing the Action Plan has been delayed owing to officers focussing on other higher priority work during the coronavirus pandemic. However, the Peer Review Action Plan was reviewed and updated at Council on 25th November 2021. While the implementation of these actions will strengthen the Council, they are not seen as significant governance issues.

## **5. An assessment of the impact of the coronavirus pandemic**

Coronavirus was categorised as a pandemic by the World Health Organisation on 11 March 2020. The coronavirus pandemic has had a significant impact for the Council, its residents and businesses during 2020/21 and 2021/22. This has included implications for provision of services, our employees and our financial position.

As can be seen in Section 3 of this Annual Governance Statement, many plans were disrupted and actions were delayed due to staff being redirected to other activities during the pandemic. At CLT level officer capacity remains a governance issue and a review is currently in progress.

Effective leadership and governance of the response and recovery have been critical. Plans are being delivered which now focus on the District's longer-term recovery. For example, a bid is currently being prepared for the Levelling Up Fund.

## **6. Compliance with the Financial Management Code**

The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.

The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.

2020/21 was a shadow year for CIPFA's Financial Management Code. A baseline assessment reported to the Governance and Resources Committee in March 2021 indicated that there were six principles /

standards identified as less strong, with a need for improvement and action. Areas which have been identified as less strong, with a need for improvement and action, include:

- E: The financial management style of the authority supports financial sustainability
- F: The authority has carried out a credible and transparent financial resilience assessment
- G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members
- L: The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget
- M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
- N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

An action plan was in place to address these issues during 2021/22. As a result of staff vacancies and the additional workload during the coronavirus pandemic, little progress was made during 2021/22 so the actions will be addressed during 2022/23. None of the issues have been identified as significant governance issues.

## 7. Significant governance issues and action plan

### a) Update on issues raised in last year's (2020/21) Annual Governance Statement

	Issue	Action Identified in last year's statement	Outcome	Lead Officer
1	There is a budget gap for future years as identified in the Medium Term Financial Plan.	Ensure that there are effective processes to manage and monitor budgets and to plan and monitor savings.  Review position government's reviews of fair funding and business rates retention.	<b>In Progress:</b> Balanced budget set for 2022/23. MTFP to be reviewed in 2022/23 (see below).	Director of Resources
2	An internal audit review has identified that our arrangements for asset management need to be strengthened	Address the outstanding recommendation to reconcile assets of the property and financial systems and use a common property identifier on both systems.	<b>In Progress:</b> <ul style="list-style-type: none"> <li>The Corporate Property Group has met during 2021/22;</li> <li>An asset list review group has been formed specifically to progress this issue</li> <li>Monitoring is taking place;</li> <li>The reconciliation of assets has not yet been completed, though some progress has been made.</li> <li>This is now subject to a report to the Governance &amp; Resources Committee on 14 July 2022.</li> </ul>	Director of Regulatory Services
3	A review of employee and member training has identified that our arrangements for mandatory training should be improved.	A comprehensive programme of mandatory training for all employees and members should be delivered in 2020/21.	<b>Completed:</b> Comprehensive training programmes for members and employees are now in place.	The Corporate Leadership Team with support from the Human Resources Manager; The Member Development Working Group

4	An internal audit review of data protection arrangements has identified areas where improvements are required.	Address the implementation of outstanding recommendations from the internal audit review.	<b>In Progress:</b> As a result of staff vacancies and the additional workload during the coronavirus pandemic, little progress was made during 2021/22 so the actions will be carried forward to be addressed during 2022/23.	Data Protection Officer & Information Governance Officers
5	Internal audit resources have been insufficient to complete the internal audit plan	Ensure that appropriately trained auditors are in place to deliver the audit plan.	<b>In Progress:</b> A recruitment exercise is currently underway. If that proves unsuccessful, other options will be explored.	Director of Resources

**b) Annual Governance Statement issues arising from 2021/22 review, to be actioned in 2022/23**

	Issue	Action	Expected Outcome	Lead Officer (s)	Target Date
1	There is a budget gap for future years as identified in the Medium Term Financial Plan, which will be exacerbated by rising inflation.	<p>Ensure that there are effective processes to manage and monitor budgets and to plan and monitor savings.</p> <p>Review the MTFP to reflect the impact of rising inflation, the outcome of the Local Government Finance Settlement for 2023/24 and 2024/25 and following outcome of government's reviews of fair funding and business rates retention.</p> <p>Develop an action plan to maintain a sustainable balanced budget.</p>	Balanced budget for 2023/24 and Medium Term Financial Plan to be updated to address budget gap for future years.	Director of Resources	Updated Medium Term Financial Plan & Balanced Budget for 2023/24: by 1 March 2023
2	An internal audit review has identified that our arrangements for asset management need to be strengthened	Address the outstanding recommendation to reconcile assets of the property and financial systems and use a common property identifier on both systems.	Completion of reconciliation	Directors of Regulatory Services, Corporate & Customer Services and Resources	31 March 2023

3	An internal audit review of data protection arrangements has identified areas where improvements are required.	Address the implementation of outstanding recommendations from the internal audit review.	<ul style="list-style-type: none"> <li>• Compliance with legislation and ICO guidance, reducing the risk of sanctions for non-compliance;</li> <li>• Raised awareness for employees and councillors;</li> <li>• Improved record keeping.</li> </ul>	Director of Corporate & Customer Services and the Director of Resources (Data Protection Officer)	31 March 2023
4	Internal audit resources have been insufficient to complete the internal audit plan	Ensure that appropriately trained auditors are in place to deliver the audit plan.	Audit resources be returned to adequate levels and the impact on the audit plan be monitored.	Director of Resources	
5	Weaknesses have been identified in arrangements for procurement and contract management	<p>Implement the recommendations from the independent review of waste management;</p> <p>Carry out a review of financial regulations and contract standing orders and, following that, raise employee awareness and provide training, guidance and support.</p>	<p>Future transformational and modernisation projects are adequately resourced;</p> <p>Improvements to arrangements for procurement / supplier contracts to mitigate the risk of a challenge and to ensure value for money.</p>	Corporate Leadership Team	31 December 2022
6	Arrangements for ensuring that systems are in place to meet grant conditions need to be strengthened	Review and strengthen Financial Regulations relating to grant conditions and raise employee awareness.	Improved monitoring of compliance with grant conditions, reducing the risk of claw back or non-payment of grant,	Director of Resources to review Financial Regulations then all Directors to raise awareness and ensure compliance.	31 December 2022

We propose over the coming year to take steps to address the significant governance issues identified in section 7b of this statement to further enhance our governance arrangements. 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.

Approved at a meeting of the Governance and Resources Committee held on 14 July 2022.

Signed

Councillor Garry Purdy  
**Leader of the Council**

**Date: 14 July 2022**

Paul Wilson  
**Chief Executive**

**Date: 14 July 2022**