

Annual Governance Statement 2019 - 2020

Annual Governance Statement

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Introduction

The CIPFA / Solace Delivering Good Governance in Local Government framework (2016) requires local authorities to publish an Annual Governance Statement. This is to show that Denbighshire County Council (the Council):

- Conducts its business in accordance with relevant laws and regulations;
- Properly accounts for and safeguards public money;
- Uses its resources economically, efficiently and effectively to achieve agreed priorities that benefit local people.

The Council has adopted the 'Core Principles' which underpin the CIPFA / Solace framework to form its Corporate Governance Framework. The seven core principles are set out below:

- A. Behave with integrity
- B. Engage with Stakeholders
- C. Define outcomes
- D. Ensure planned outcomes are achieved
- E. Develop capacity, capability and leadership
- F. Manage risks and performance effectively
- G. Demonstrate transparency and accountability

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Review of Effectiveness

The effectiveness of governance arrangements is measured in several ways. One key report is the Chief Internal Auditor's Annual Report which provides an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and the extent that the Council can rely on it. The Internal Audit Annual Report will be presented to the next Corporate Governance & Audit Committee meeting (due to the Covid-19 pandemic, the committee meetings have been cancelled until online meetings can be established in line with The Local Authorities (Coronavirus)(Meetings)(Wales) Regulations 2020 under powers granted to Welsh Government under the Coronavirus Act 2020. The Internal Audit Annual Report will summarise the key findings of the audit work undertaken in 2019/20, comment on the impact of Covid-19 on internal audit assurance work and report any areas of significant weaknesses in the internal control environment.

While the coronavirus pandemic affected Internal Audit's ability to conclude its assurance work at the end of the year, sufficient work was undertaken during the year to enable the Chief Internal Audit to form an opinion. Taking into account all available evidence, medium assurance has been awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2019/20. This is the same as last year. Internal Audit assurance work highlighted improvements were required in the following areas:

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| Issues identified by Internal Audit in 2019/20 | Agreed actions |
|---|---|
| <p>Contract management weaknesses across the organisation and non-compliance with Contract Procedure Rules.</p> | <p>Service Leadership Team (SLT) to ensure that:</p> <ul style="list-style-type: none"> - All contracts are recorded on the Proactis contract management module or other suitable systems; - Signed contracts are obtained for all contracts over £25,000 and held on the Proactis system (or suitable approved contract management system); - Contract management activity is recorded in the contract management module within Proactis, or other method as agreed corporately; - Ensure that the delivery of community benefits is monitored; - Ensure appropriate performance indicators are included within contracts with suitable monitoring of the contractor's performance; - Ensure that contract risks are considered within the procurement and contract monitoring activity. Also, that significant risks are captured on the service risk register. |

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| <p>Overall lack of awareness of relevant corporate policies, procedures and guidance to ensure that staff and contractors are aware of the acceptable standards of behaviour.</p> | <p>SLT committed to ensure improvements to ethical culture, specifically:</p> <ul style="list-style-type: none"> - Staff awareness of whistleblowing policy and code of conduct; - Prompt completion of register of declaration of interests and receipt of gifts/hospitality; and - Improve contractor awareness of their role in working ethically. |
| <p>Lack of a programme or strategy to ensure corporate compliance with Payment Card Industry – Data Security Standards (PCI-DSS).</p> | <p>SLT supports the Task & Finish Group to implement necessary improvement to include:</p> <ul style="list-style-type: none"> - establishing a programme for improvement; - delivering training and awareness; - develop policy and procedures; - review existing agreements for Value For Money (VFM); and - reviewing supplier contracts for compliance with PCI-DSS. |

[Caption; Issues identified by internal Audit 2019/20 and agreed actions to mitigate the issues.]

Last year's self-assessment and Annual Governance Statement highlighted five areas for improvement relating to: counter fraud strategy; Public Sector Internal Audit Standards requirement for an Ethics audit, partnership framework; awareness of code of conduct

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requirements and GDPR implementation. Follow up work by Internal Audit confirms that all areas are being addressed.

The Corporate Governance Officer's Group consisting the Monitoring Officer, Head of Finance & Property Services (Section 151 Officer), Head of Business Improvement & Modernisation (Senior Information Risk Owner) reviewed the Council's arrangements against the CIPFA/Solace Framework in November 2019 with another meeting scheduled for March 2020. The latter did not take place due to the Covid-19 pandemic prompting the council to invoke its emergency response. While some assurances were obtained to confirm that governance arrangements such as the Code of Conduct, Financial Regulations, and other corporate processes have operated as intended during the year, the review could not be fully completed during this period. Therefore, additional assurances have been obtained from the Section 151 Officer, Monitoring Officer and Head of Business Improvement & Modernisation to inform this statement. The Code of Corporate Governance is being updated to reflect the current arrangements and will continue to be updated to reflect developments and any further implications due to the Covid-19.

Impact of Coronavirus Pandemic

Other than impacting the completion of internal audit work towards the end of 2019-20, the impact of Covid-19 on the governance framework has been considerable. Social distancing requirements mean that all council meetings had to be suspended until online meetings were established in line with legislative requirements. Cabinet continued to meet informally with decisions delegated to the Leader on a temporary basis until provision was in place allowing Cabinet to formally make decisions. The law provides that the Leader may exercise all of the functions of the Cabinet that are not otherwise delegated. (s15(4) Local Government Act 2000) and this is reflected in section 6.5.3 of the Constitution. The Monitoring Officer provided a briefing on revised meeting arrangements to all Members to maintain transparency.

- Planning Committee trialled its first online meeting at the end of May 2020 and will meet formally from June 2020. A series of Member Area Group meetings have been conducted through May and June 2020. Functionality for Licensing Committee to meet

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will also be made available. Corporate Governance & Audit Committee will meet formally in July 2020. Council and Scrutiny meetings should then ensue when capacity and capability permits, probably in September 2020. Alternative arrangements have in the meantime been agreed between Cabinet and Group Leaders to ensure proactive engagement of the wider elected membership. Group Leaders are meeting remotely with the Chief Executive, Leader, Monitoring Officer and s151 Officer on a weekly basis to be briefed on the management of the crisis and proposals for recovery. Group Leaders will then brief their respective groups and will be able to call upon Lead Members and Lead Officers to attend Group Leaders' meetings or Group meetings where further information or discussion is required. Formal call-in arrangements will be available should any decisions be made that the requisite number of members wish to challenge. The Council's current remote meeting system is currently unable to accommodate simultaneous translation. The Council is therefore unable to allow public access to its formal meetings until this issue is resolved. The Local Democracy Reporter will be invited to all formal meetings to ensure that there is some external representative of the public in attendance. While this constitutes a significant governance issue affecting the council, progress is being made to address it. A pilot remote meeting incorporating a translation solution is planned before the end of June 2020

Looking ahead, the following areas for improvement have been identified to be addressed in 2020/21. This takes into consideration the continued impact of the coronavirus pandemic on governance:

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| Improvement actions for 2020/21 | Agreed action |
|---|--|
| <p>Review, update and promote the Strategy for the Prevention of Fraud, Corruption & Bribery. <i>Ongoing from 2018/19</i></p> | <p>Periodic review of the Strategy and raise awareness as relevant. This will align to the recently published “Fighting Fraud and Corruption Locally Strategy 2020” for Local Government.</p> <p>Monitoring Officer & Chief Internal Auditor, 31 December 2020.</p> |
| <p>Financial sustainability of the Council is under substantial pressure due to Covid-19 costs and loss of income.</p> | <p>Emergency budget announcement from Welsh Government received on 27 May 2020, await clarification of specific allocation to each Authority.</p> <p>Emergency Financial Strategy reported to Cabinet in May 2020 with action to review and produce a Medium Term Financial Strategy and Plan.</p> <p>Head of Finance & Property Services, 31 July 2020.</p> |
| <p>Finalise and promote the Partnership Framework. <i>Ongoing from 2018/19</i></p> | <p>Partnership framework to be presented to Cabinet and Corporate Governance & Audit Committee and requirements communicated to relevant persons.</p> <p>Strategic Planning & Performance Manager, 31 December 2020</p> |

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| <p>Ongoing work to promote the officer's code of conduct, declaration of interest, gifts and hospitality and whistleblowing policy. <i>Ongoing from 2018/19</i></p> | <p>Monitoring completion of mandatory e-learning modules and managers to ensure completion by all staff.</p> <p>Improve arrangements for ensuring staff are prompted to declare conflicts of interest, gifts and hospitality.</p> <p>Strategic HR Manager, 31 March 2021</p> |
| <p>Online meetings for council, scrutiny and Corporate Governance & Audit Committee to be established that is available for the public to attend (e.g. live streaming, webcast).</p> | <p>Planning Committee, Cabinet and Member Area Groups meeting remotely in May 2020. Corporate Governance & Audit Committee to meet remotely in July 2020.</p> <p>Council and scrutiny to meet as soon as capacity and capability allows.</p> <p>Monitoring Officer, 30 September 2020</p> |
| <p>Covid-19 impact on services (including education and social services) and future provision.</p> | <p>Recovery plans established and informed by latest guidance released by government.</p> <p>SLT, 31 March 2021</p> |
| <p>Newly formed alternative delivery vehicle 'Denbighshire Leisure Limited' – review effectiveness of governance arrangements, including management of potential conflicts of interest, and impact of covid-19.</p> | <p>Governance structure in place.</p> <p>Internal Audit of Denbighshire Leisure Limited during 2020/21.</p> <p>Chief Internal Auditor, 31 March 2021</p> |

[Caption; Areas of improvements for 2019/20 and agreed actions]

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The Governance Framework

Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Denbighshire CC's Constitution includes the Codes of Conduct for members and officers and demand a high standard of behaviour. Mandatory training for officers has been deployed to ensure that staff are aware of the code of conduct and other key policies. These are supported by more detailed guidance such as the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery, Whistleblowing Policy, Financial Regulations and Contract Procedure Rules. The Monitoring Officer and Head of Finance & Property Services (Section 151 Officer) both have responsibilities to ensure that Council decisions meet legal requirements.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement

The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Stakeholder engagement in response to Covid-19 has developed to ensure coordinated response involving multiple organisations and agencies. The resident survey informs community engagement strategies as well as service. The Council publishes information on the website including webinars of Council meetings. Online meetings are being set up to maintain social distancing in response to Covid-19. Communication channels involve press releases and online such as social media (Facebook and Twitter) and the County Conversation portal. More recently, proactive shielding calls to persons vulnerable to Covid-19.

Principle 3 - Defining outcomes in terms of sustainable economic, social, and environmental benefits

The strategic vision for Denbighshire is set out in its Corporate Plan. Within it, the Council defines specific priorities and outcomes to be achieved and this is managed by two programme boards. While corporate projects continue in the midst of the Covid-19

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pandemic, the council's strategic vision may be impacted by the outbreak. A separate programme board is focused on ensuring the Council's finances and services are sustainable. A Wellbeing Impact Assessment is completed to inform significant decisions.

Principle 4 - Determining the intervention necessary to achieve intended outcomes

Quarterly Performance reports track the performance of all Council activities in terms of key performance indicators and delivery of key outcomes. The report also highlights remedial actions being taken where slippage does occur. Senior Management and Members (via Scrutiny committees and the Corporate Governance Committee), ensure the Council remains focussed on achieving its objectives and priorities. Despite Covid-19 pandemic's impact in March 2020, nearly all service business plans have been completed following the financial year end, with the annual performance report being drafted shortly. Some activity was suspended during the council's initial response to the covid-19 outbreak; the council has initiated its recovery plans to transition back to business as usual.

Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council

Development is directed by the leadership strategy, apprenticeship schemes and an e-learning portal is used to develop staff at all levels. The Council also works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. A redeployment bureau was established quickly during the Covid-19 pandemic to reallocate staffing resource to services experiencing capacity shortages.

Principle 6 - Managing risks and performance through strong internal control and financial management

Corporate risk registers are updated twice yearly, with significant risks brought to the attention of senior management and members. Risk Appetite statement has been defined and reviewed with members and senior management to ensure acceptable level of risk is

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being taken. Internal Audit assess the overall quality of risk management, governance and internal control and agree actions for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and timely production of the 2018/19 accounts in response to the early closure requirements. Despite the pandemic, the Council has managed to close its accounts for 2019/20 in keeping with the original deadline. The Covid-19 response, including increased expenditure (e.g. PPE) and loss of income (leisure, parking etc) has caused significant pressure on the council's financial situation, as is the case for other council's in the Wales. While information governance was considered to be sound overall; the pandemic has exposed instances of weaknesses caused in part by different working practices (e.g. majority of staff working from home) that previously were not considered a concern.

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

The external assessment of Internal Audit confirms it conforms to the Public Sector Internal Audit Standards. The Council provides clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. Further development of the website is underway to ensure it meets Accessibility Standards. Minutes of meetings and key decisions are published on the Council's website. At the end of March 2020, Council meetings were suspended until it is safe to resume and online meetings are being established which will be made available to the public in accordance with legislative requirements.

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Key contributors to developing and maintaining the Governance Framework

| Key Contributors | Contribution |
|--|---|
| Council* | <ul style="list-style-type: none"> • Approves the Corporate Plan • Endorses the Constitution • Approves the policy and financial frameworks |
| Cabinet* | <ul style="list-style-type: none"> • Primary decision making body of the Council • Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios |
| Corporate Governance & Audit Committee* | <ul style="list-style-type: none"> • Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors |
| Standards Committee* | <ul style="list-style-type: none"> • Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct |
| Programme Boards* | <ul style="list-style-type: none"> • Track efficiencies, highlighting risk and mitigating actions to achievement • Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery • Plan communication and engagement activity |
| Scrutiny Committees* | <ul style="list-style-type: none"> • Review and scrutinise the decisions and performance of Council, Cabinet, and Committees • Review and scrutinise the decisions and performance of other public bodies including partnerships |

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| Key Contributors | Contribution |
|---|---|
| Senior Leadership Team & Managers* | <ul style="list-style-type: none"> • Responsible for developing, maintaining and implementing the Council's governance, risk and control framework • Contribute to the effective corporate management and governance of the Council |
| Internal Audit | <ul style="list-style-type: none"> • Provide an independent opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements • Delivers a programme of risk based audits, including counter fraud and investigation • Identifies areas for improvement in the management of risk |
| External Audit | <ul style="list-style-type: none"> • Audit and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources |

[Caption; Key contributors to developing and maintaining the Governance Framework]

The Governance Framework operated effectively during the year until March when it was adversely impacted by the Coronavirus Pandemic. Emergency provision contained within the Constitution along with Schedule of Delegations has enable the Council to continue to operate and take key decisions. For instance, Cabinet has met informally in this period and members indicated how they would vote which was then reflected in a delegated decision taken by the Leader. Efforts are progressing with ensuring that all of the above meetings can resume as soon as possible. Cabinet and Planning Committee will be the first to meet formally in May 2020 using online meetings, with the Senior Leadership Team recently re-established..

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Significant governance issues

During the year, the Council continued to have effective governance arrangements in place; however, the coronavirus pandemic affected the council at the end of the year and continues to impact governance into 2020/21 as council meetings have not been able to meet in the traditional way due to the need to maintain social distancing requirements. Online meetings are being established so council meetings can resume. This is reflected in this year's Annual Governance Statement as a significant issue affecting governance.

The areas for improvement that we have identified will be monitored by the Corporate Governance & Audit Committee and the Corporate Governance Officers Group. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

Certification

We propose over the coming year to take steps to address the issues identified in our Governance Improvement Action Plan to 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.

| | |
|---------------|--|
| Name | Cllr Hugh Evans, Leader of the Council |
| Signed | xxx |
| Dated | xxx |

| | |
|---------------|------------------------------------|
| Name | Judith Greenhalgh, Chief Executive |
| Signed | xxx |
| Dated | xxx |