



Derby City Council

Annual Governance Statement 2025/2026

To accompany the Statement of Accounts for the year ended 31 March 2026

Draft v1.2 for publication to website on 30 June 2026 (designed version to follow)

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1. Introduction

As a Council, we exist to serve local communities and deliver our ambitions for the city of Derby, working alongside key partners.

The Council Plan 2025-28 sets our mission of ‘Together we’re building a Derby to be proud of’ and identifies the priority themes against which we focus our efforts and measure our impact:

- **Inclusive City** - putting people at the heart of everything we do
- **Green City** - promoting a sustainable Derby for future generations
- **City of Growth** - creating a modern city, with jobs, skills and homes for the future
- **Vibrant City** - reimagining our city with culture and diversity at its heart
- **Connected Council** - collaborating to deliver efficient, integrated and accessible services

Delivering these requires good governance - for our residents, businesses, service users, colleagues and councillors. Our Council Plan provides the building blocks to our success; supporting the Plan is a delivery plan, strategies and policies showing how we will achieve our ambitions, and our ‘Local Code of Governance’ sets these out in more detail.

Over the last decade, local authorities have faced significant financial challenges particularly in adult social care, children’s services and housing. This has put significant pressure on our budgets, and we have again had to take some very tough decisions to ensure that we remain financially sustainable. We do, however, continue to deliver against our Council Plan and good governance is essential to that. It underpins both our approach and our commitment to engaging with local communities.

The Government’s Devolution bill has significant implications for the ten councils of Derby and Derbyshire. Local Government Reorganisation (LGR) presents challenges and opportunities for Derby City Council as we plan and manage transition towards any new authority. It is imperative that LGR is underpinned by good governance to ensure ‘safe and legal’ delivery of services on vesting day (expected to be 1 April 2028).

Local authorities are required to publish an Annual Governance Statement (AGS) along with their Statement of Accounts. The AGS reports publicly on an authority’s compliance with the Local Code of Corporate Governance, which is based on the good governance principles defined by the CIPFA/Solace Delivering Good Governance in Local Government Framework (2016).

The purpose of this AGS is to:

- Fulfil the statutory requirement to conduct a review of its system of internal control and publish an AGS at least once every financial year
- Explain how the Council's governance arrangements operate and the controls the Council has in place to manage the risk of failure to deliver planned outcomes.
- Demonstrate that there is a sound system of governance by setting out how the Council has monitored and evaluated the effectiveness of its governance arrangements.
- Publicly report on how the Council ensures public money is safeguarded and that it has effective arrangements to deliver its services.
- Provide a health check to show how the Council operates with transparency, integrity and accountability.
- Outline our progress in 2025/26 and indicate further actions to improve delivery for 2026/27.

2. Statement of Opinion on Governance Arrangements

This Annual Governance Statement explains how Derby City Council has complied with its Local Code of Corporate Governance and met the requirements of the Accounts and Audit Regulations 2015 during 2025/26.

The review of effectiveness, supported by the assurances from the Chief Financial Officer, Monitoring Officer, Head of Internal Audit and other senior officers, concludes that the Council's governance framework is sound and provides a robust platform for delivering its priorities.

However, the Council continues to operate within a dynamic environment of budgetary pressures, service demand and sector change, which will require continued focus on financial resilience and risk management.

We are satisfied that the steps identified in this statement will address the need for improvements that were identified in our review of effectiveness, and we will monitor their implementation and operation as part of our next annual review.

[Insert pictures]

Signed on behalf of Derby City Council

Councillor Nadine Peatfield
Leader of the Council

Sam Dennis
Interim Chief Executive

Date

3. Governance at Derby City Council

3.1 What is Governance in Derby City Council?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management
- performance and risk management
- stewardship of public money on behalf of Derby taxpayers
- public engagement and outcomes for our citizens, businesses and service users.

3.2 What is the Purpose of our Governance Framework?

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

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

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

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

3.3 Local Code of Corporate Governance

The Council approved a Local Code of Corporate Governance in March 2017, consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government (2016). The Code sets out how Derby City Council meets the seven core principles of good governance. It underpins this Annual Governance Statement and provides the framework for the assurances we describe.



The overall aim of the Local Code of Corporate Governance is to ensure that:

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

4. Governance Structure and Key Roles

4.1 Governance Structure

Our governance structure sets out how decisions are taken, how they are scrutinised and how we are held to account. Key elements include:

- **Full Council** – sets the budget and policy framework, approves the Council Plan and key strategies, and adopts the Constitution.
- **Cabinet** – provides executive leadership and takes key decisions within the budget and policy framework.
- **Overview and Scrutiny** – including the Executive Scrutiny Board and other scrutiny arrangements, provides challenge, review and scrutiny of policies, performance and major decisions.
- **Audit and Governance Committee** – provides independent assurance on the adequacy of the governance, risk management, and internal control framework, and receives internal and external audit reports.
- **Standards Committee** – oversees the Councillors’ Code of Conduct and ethical standards framework.
- **Corporate Leadership Team (CLT)** – the Chief Executive and Directors collectively provide strategic management and oversight of the Council’s activities, including risk, performance and financial management.
- **Corporate boards and groups** – including the Corporate Risk Management Group (CRMG), Programme Management Office (PMO) Board, MTFP Delivery Board, and other programme and partnership boards. These boards support delivery of strategic priorities and provide assurance on specific areas.



4.2 Key Statutory and Member Roles

Derby City Council has three statutory officers:

- **Head of Paid Service (Chief Executive)** – responsible for overall management of the authority.
- **Section 151 Officer (Chief Financial Officer)** – responsible for the proper administration of the Council’s financial affairs.
- **Monitoring Officer (Director of Governance, Property and Procurement)** – responsible for ensuring lawfulness and fairness in decision making and for maintaining high standards of conduct.

The Head of Internal Audit, Senior Information Risk Owner (SIRO), and Caldicott Guardians also have key roles in the governance framework.

The roles and responsibilities of the Leader, Cabinet Members, Scrutiny, and other committees are set out in the Constitution.

5. Assurance and Preparation of the Annual Governance Statement

5.1 Our Governance Assurance Framework

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

Our assurance framework is the structure within which Councillors and Senior Management identify the principal risks to the Council in meeting its key objectives, map controls in place and gain assurance about the effectiveness of those controls. Our assurance framework underpins the statements made within this Annual Governance Statement.

Assurance comes from both internal and external sources, including:

- Internal: Self Assurance Statements, Corporate Leadership Team, Internal Audit Reviews, Scrutiny, Audit and Governance Committee, Service Reviews, Statutory Officers Group.
- External: Inspections, External Audit, National Fraud Initiative, and assurance from benchmarking, partnerships and regulators.

5.2 How the Annual Governance Statement has been prepared

In preparing this Annual Governance Statement we have:

- reviewed our existing governance arrangements against the revised CIPFA/SOLACE Delivering Good Governance in Local Government good practice guidance.
- assessed the effectiveness of our governance arrangements against the Local Code of Corporate Governance.
- reviewed internal and external assessments.
- obtained Self-Assurance Statements from all Directors.

Senior Management Assurance Statements were produced by all Directors for the financial year 2026/27 which self-assessed compliance and detailed the basis of assurance and the frequency of testing and review. There were no significant governance breaches or weaknesses identified through this self-assessment. Areas for development are detailed later in this statement.

5.3 How we monitor and review the effectiveness of our Governance Arrangements

We continue to review the effectiveness of our governance arrangements on an ongoing basis and report on the position annually. Key sources of assurance include:

- The work of Councillors (Cabinet and Audit and Governance Committee) and Senior Officers (Corporate Leadership Team) who have responsibility for good governance.
- The three Statutory Officers (Head of Paid Service, Section 151 Officer, and Monitoring Officer) and the Head of Internal Audit, who meet regularly as the Statutory Officers Group.
- The Head of Internal Audit's annual report on Internal Audit Activity, which provides independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements.
- Regular updates to Cabinet, Executive Scrutiny, and Audit and Governance Committee on risk management activity, including assurances on the adequacy of our risk management framework.
- Performance monitoring of key deliverables in the Council Delivery Plan and key performance indicators, as reported to Cabinet and Scrutiny.
- Challenge through Overview and Scrutiny (for example topic reviews, performance items and surgeries).
- Inspections and assessments (such as Ofsted inspection of children's services, CQC adult social care inspection, Housing Regulator, and sector led improvement activities).
- Comments made by External Auditors in their value for money opinion, recommendations, and other reports.
- Customer insight through complaints, the media, and Freedom of Information requests.

6. Effectiveness of Governance in 2025/26 – Overview

6.1 Overall Assessment and Specific Assurances

Chief Financial Officer (Section 151 Officer)

An assessment against the CIPFA Financial Management Code has been undertaken and reported in year. It has been established that our arrangements conform to the CIPFA requirements, and the Section 151 Officer has no significant concerns to report. Financial resilience continues to be of a concern although this is an improving position. General reserve balances have been replenished to 4.6% (recommended levels are between 3% and 5%) and the Council has set a three-year balanced budget. The draft financial outturn position is also reporting a £4m underspend with 100% delivery of savings.

Monitoring Officer

The Monitoring Officer is required to report to the Council where any proposal, decision or omission is, or is likely to be, unlawful or constitute maladministration. These obligations have been considered, and the Monitoring Officer has no significant concerns to report.

Head of Internal Audit (Chief Audit Executive)

Based on work performed during 2025/26 and other sources of assurance, the Chief Audit Executive has provided the following conclusion:

Reasonable Assurance: The framework of governance, risk management and control is generally adequate and effective, although some improvements are required. Most systems and processes are well designed and operating effectively, but a small number of moderate risk issues were identified that require management attention. Where weaknesses were identified, there has been evidence of appropriate management action to address them within a reasonable timescale.

The Chief Audit Executive has reported that the Council has taken action to implement significant risk recommendations made by Internal Audit, and has managed to reduce the overall number of open internal audit recommendations during 2025/26. However, there remain instances where recommendations are not actioned in line with their agreed action dates, and instances where officers do not provide timely updates on progress made with addressing the issues identified by Internal Audit. Implementation of recommendations improves the overall framework of governance, risk management and control.

The Council's internal audit provider received an External Quality Assessment in September/October 2022 and was assessed as "Generally Conforms" with the Public Sector Internal Audit Standards, with a "best in class" position compared with other local authorities reviewed.

External Audit

The Council published its draft accounts in accordance with the Accounts and Audit Regulations. Resourcing issues within the former appointed auditor, Ernst & Young, and a national pause on issuing opinions linked to infrastructure assets and pension fund revaluations, resulted in the Accounts for 2020/21, 2021/22, 2022/23 and 2023/24 receiving a disclaimed audit opinion. Our current auditors, Forvis Mazars, issued a further disclaimed opinion for 2024/25 and will likely do so for 2025/26 due to the lack of assurance of prior year balances. The Council has prepared and issued the Statement of Accounts within timescales. Government has put in place a series of backstop dates to clear the backlog. There is a clear plan to deal with the backlog.

The 2024/25 Value for Money Report, issued February 2026, identified no significant weaknesses but made two other recommendations;

- 1) The Council needs to work with partners to manage and implement a comprehensive DSG deficit mitigation plan to address current and projected budgetary pressures and evaluate the impact on general fund balances, while reflecting on the implications of forthcoming SEND reforms
- 2) The Council needs to maintain effective and transparent governance arrangements in the progression of plans for local government reorganisation (LGR), including effective leadership and the audit and governance committee should seek specific assurance once plans are finalised, over the key controls in place to support the transition to a new organisation.

6.2 Financial Resilience and Financial Management

The Council has focused on financial resilience to deliver a balanced budget with a financial strategy to replenish reserves. This strategy is improving the financial position of the Council with General Fund Balances now around £15m, 4.6% of net general fund spend and is well within the target of between 3 and 5%.

The Council delivered a draft financial outturn for 2025/26 of an underspend of £4.066m. This position is to be celebrated as it means that there will be no further drawing down of reserves but a further replenishment that will ensure that there is provision for additional investment into essential services and to further stabilise the finances of the Council. For the first time in several years Children's Services has underspent, this is testament to the successful delivery of prevention and early help services. Other Council strategies in areas such as homelessness are not only delivering value for money but also securing improved outcomes for our residents.

The Council has also delivered a balanced budget over the three-year medium term providing additional investment into services whilst delivering 100% of its savings targets. We will continue to deliver our Financial Strategy and improve outcomes for our residents.

A corporate MTFP Delivery Board drives our MTFP deliverables across five workstreams – Assets, Demand Insight & Prevention, Efficiency & Innovation, Artificial Intelligence, and Adult Social Care.

Due to the historic low levels of reserves the Council has had to undertake some short-term borrowing to manage cash flows, with all activity within the permitted prudential indicators set out in the Treasury Management Strategy.

The High Needs Block of the Dedicated Schools Grant (DSG) is in a cumulative deficit position of £23.274m with an in-year deficit of £7m. This is a national picture, and the Government have responded by providing a DSG deficit grant of up to 90% of the accumulated balance. This is an excellent response and adds to the improving financial suitability of the Council. SEND reforms are proposed and the Government's intentions are that these will provide a financial sustainable position moving forward. Governance of the High Needs Budget sits with Cabinet, supported by the Local Area Inclusion Partnership Board, Schools Forum and an internal DSG Board chaired by the Section 151 Officer. A deficit management plan is in place, tracked and reported.

6.3 Risk Management and Internal Control

Our Risk Management Strategy and Handbook were reviewed and updated in early 2025. Work has continued to embed the framework more consistently across the organisation, including developing a consistent departmental risk log. Risk appetite statements were reviewed with CRMG, CLT and Cabinet.

Targeted risk management training was delivered in 2025/26 for managers, senior officers, Cabinet, and Audit and Governance Committee members. An emerging risk log aids early identification of threats and opportunities, shared monthly with Heads of Service.

Risks are regularly monitored at corporate, departmental, and service levels. Where risk scores remain unchanged despite mitigations, they are reviewed every six months to understand the impact of controls. The highest rated strategic risks are currently:

- Cyber threats to our system
- Local Government Reorganisation
- Delivering our Climate Change Action Plan outcomes leading to achieving our target of net zero carbon emissions by 2035
- Inadequate accommodation sufficiency to meet the need for statutory housing duties in the city
- Demand pressures mean that there are insufficient resources in the High Needs Block to maintain a balanced budget
- Service capacity to ensure compliance with information governance statutory obligations.

The Internal Audit Plan continues to be based on quarterly planning, providing flexibility to respond to changing risks. Audit and Governance Committee receives risk assurance reports twice a year, including the strategic risk register, and can commission risk surgeries to explore key risks in more detail.

6.4 Performance Management and Improvement

Principal performance measures are captured within the Council's performance system and are subject to review (Council Delivery Plan, Council Scorecard and departmental business plans). Performance is reported quarterly to Cabinet, CLT and Executive Scrutiny Board.

Corporate Performance Management is driven through a Performance Board with regular monitoring of a corporate health dashboard, including deep dive activity as necessary as well as a focus on inspection readiness. There are also targeted Service Improvement Boards, aided by performance, improvement and quality assurance frameworks.

Learning from complaints is a key part of performance monitoring and improvement activity. A new complaints policy, process and system was implemented in April 2026. Some additional resource is being recruited to undertake regular oversight and reporting activity.

A Corporate Performance Board receives regular performance highlight reports on areas of key risk and priority.

6.5 Information Governance and Data Protection

Data Protection and Freedom of Information are managed under the Director of Governance, Property and Procurement (Monitoring Officer), with the Director of Digital & Physical Infrastructure and Customer Engagement as Senior Information Risk Owner (SIRO).

In 2025/26, the Council underwent a consensual ICO Audit, receiving positive outcomes of high and reasonable assurance, with an agreed action plan of 28 items. A follow-up audit confirmed 68% of actions completed and 32% in progress, with none yet to start; the ICO was satisfied and the audit engagement concluded.

In 2025/26, 246 information security incidents were reported, with 207 confirmed as actual breaches – a slight increase in actual breaches (3%) and a 10% rise in reported incidents, reflecting a proactive reporting culture. Serious breaches reported to the ICO fell by 30% (25 cases, 15 relating to People's Services). No enforcement action was taken, recognising the mitigations in place.

There is a robust Information Governance Board, and positive assurances have been received regarding Internal Audit of the IG Framework, PSN Code of Connection, and NHS IG Toolkit compliance. The Council has annual training on GDPR and cyber security and continues to invest in ICT infrastructure, cyber defences, records management and data loss protection.

6.6 Programme and Project Governance

Work has continued during 2025/26 to strengthen assurances through the Programme Management Office (PMO) to ensure programmes and projects progress appropriately through each Gateway stage, with documented assurance on the effectiveness of arrangements.

At the end of March 2026, the Project Management Platform (PMP) hosted 163 open programme and project sites, with 25 priority projects supporting the 2025/26 Council Delivery Plan. A review of the platform ensured sites were active and representative of current activity.

Assurance report templates aligned with project management methodology provide summarised assurance, including quality of documentation, status against key lines of enquiry, recommendations, and learning. Gateway discussions are recorded on a recommendations log, ensuring closure and capturing learning.

Audit and Governance Committee received a PMO assurance update in January 2026.

6.7 External Inspections and Assessments

During 2025/26 activities included:

- Inspections of our Local Authority Children’s Services (ILACS, Ofsted) and Youth Justice Service (HMIP) – both of which were assessed as ‘Outstanding’.
- Annual challenge discussions in children’s services (Early Help and Social Care) and adult social care via Ofsted and sector-led improvement activity – letters issued to Directors for local action.
- Annual Ofsted conversation on SEND – a letter issued for local action, with themes to be tested through formal inspections.

Further inspection activity anticipated in 2026/27 includes:

- Special Educational Needs and Disabilities (Ofsted/CQC).
- Housing consumer standards (Regulator of Social Housing)
- Adult Social Care (CQC).

6.8 Constitutional and Democratic Developments (including EMCCA and Local Government Reorganisation)

The Council agreed to move to four-yearly ‘all out’ elections from May 2023 to support stability and long-term planning. Derby remains a closely contested authority, which influences political culture and governance arrangements.

An external review of the Constitution began in 2022, with cross-party workshops and working group activity. A draft updated Constitution was considered but not approved at Annual Council in May 2024. Democratic Services continue to liaise with councillors on the next steps for the project, with work to date providing a strong basis for future governance arrangements under local government reorganisation.

Over the last twelve months, the Council has developed and implemented a new Overview and Scrutiny Protocol, which seeks to establish shared expectations between councillors, officers and partners in relation to the culture, behaviours and working relationships associated with

effective scrutiny. The Standards Committee has also developed and adopted a Councillor Training and Development Strategy, which aims to capture existing member training activity and introduces new approaches to personal development within a single, cohesive document. During the same period, the Standards Committee has also engaged in a range of discussions relating to ethical conduct, particularly in the context of proposed national reforms to the local government standards framework.

The East Midlands County Combined Authority (EMCCA) was established in March 2024, with a regional Mayor elected in May 2024. As a constituent authority, Derby has seats on the EMCCA Board and relevant committees. Systems are in place to ensure members are briefed for their regional roles, and opportunities and risks are monitored through CLT and an officer working group.

In December 2024 the Government published its English Devolution White Paper, describing proposals to reset the relationship between central and local government. The Secretary of State invited Derbyshire authorities to submit proposals for a single tier of local government. Derby City Council collaborated with the eight district and borough councils in Derbyshire on proposals for local government reorganisation (LGR), envisaging reducing 10 councils to 2 in a north/south model, with 5 different proposals submitted to Government in November 2025.

Since March 2026, all ten authorities in Derbyshire have been working together during the pre-decision phase which has included work to assess 'Day 1 requirements'. A Government decision is expected in July 2026. Subject to this, the new shadow authorities are expected to be in place by April 2027, with elections to be held in May 2027. The new unitary authorities are expected to be launched in April 2028.

7. Compliance with the CIPFA/SOLACE Principles of Good Governance

The section below sets out how we have regard to the seven principles in the CIPFA/SOLACE Delivering Good Governance framework and summarises our assurance on compliance.

Principle A – Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values, and Respecting the Rule of Law

Political and managerial leadership sets the tone, supported by the Employee Code of Conduct, the Councillors’ Code of Conduct and the Working Together Protocol. Training is provided to Councillors in key committee roles; monthly Councillor Training and Development Evenings have been introduced. The Standards Committee monitors and reviews the Councillors’ Code of Conduct and produces an annual report. The Employee Code of Conduct was reviewed in 2025/26. A Leadership Accountability Framework is in place for managers. Whistleblowing, Counter Fraud, Corruption, Anti-Bribery and Anti-Money Laundering Policy and Framework are in place and were updated in 2025. Codes of Conduct set standards of behaviour and are enforced through complaints and HR procedures.

Principle B – Ensuring Openness and Comprehensive Stakeholder Engagement

Commitment to openness through compliance with the Local Government Transparency Code and FOI Publication Scheme; limited use of Part II reports. Procedures allow recording and filming of Council meetings. Strong partnership engagement, including Derby Partnership Board, Health & Wellbeing Board, Safer Derby, Sustainability Board, City Centre Programme Board and other themed forums. The Derby Partnership Board’s revised priorities and the Derby Plan support shared city outcomes. Local focus is promoted through neighbourhood and locality working, with five locality plans developed with residents and partners. Public consultation and engagement is undertaken on specific service and policy changes, supported by the Consultation Team and Communications and Marketing.

Principle C – Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

Derby Partnership Board agreed revised priority themes (green, growth, vibrant and inclusive), with a city plan adopted in Autumn 2022 and reviewed annually. Partnership priorities are delivered through boards and strategies such as the Integrated Care Strategy, Joint Local Health and Well-being Strategy and Children and Young People’s Plan. The Council Plan 2025–28 describes priorities, outcomes, resources and monitoring arrangements; the annual Council Delivery Plan sets current priorities and is reviewed at least every three months. Business plans are developed by Directors and Heads of Service; they are reviewed annually to ensure alignment and reduce silo working. Council reports include assessment of climate change implications and socio-economic impacts.

Principle D – Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes

Corporate Performance Management via CLT with monthly monitoring of key risks. Review and challenge through CLT, Improvement Boards, demand management groups, sickness absence groups and cross-Council performance groups. MTFP Delivery Board co-ordinates interventions across assets, demand/insight, efficiency/innovation, AI and adult social care. PMO and Gateway processes ensure structured project decision-making, with assurance reviews and lessons learnt. Quality assurance frameworks exist in key services, with regular inspectorate challenge (Ofsted, CQC, etc.) and sector-led improvement. Pre-decision scrutiny through Executive Scrutiny Board and deep-dive reviews by Audit and Governance Committee support robust challenge.

Principle E – Developing the Council’s Capacity, Including the Capability of its Leadership and Individuals

Head of Paid Service ensures the organisation has the skills, capability and capacity to deliver objectives. Leadership delivered through CLT and the Senior Leaders Network. Great Performance Conversations (GPC) process sets objectives and personal development plans for staff, with mid-year and year-end reviews. A programme of training for Councillors and Officers exists, including leadership development and mandatory e-learning for key policies. Professional staff undertake CPD in line with professional body requirements. Leadership accountabilities and expectations framework is in place.

Principle F – Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management

Risk Management Strategy and Handbook updated in early 2025; strategic and departmental risk registers in place. Corporate Risk Management Group operates with risk champions in each directorate. Emerging risk log shared monthly to heads of service. Targeted risk management training delivered for managers and members. Internal audit planning is risk-based. Audit and Governance Committee receives risk assurance reports twice yearly. Performance targets captured in PARS and monitored through Council Delivery Plan, Scorecard, and business plans. Preventative internal controls (segregation of duties, authorisation, asset security, reconciliations) and regular internal audit provide assurance. Budget setting and Medium-Term Financial Plan are approved annually. Financial Procedure Rules and Contract Procedure Rules are in place and regularly updated. CIPFA Financial Management Code assessment provides adequate assurance, though reserves remain low.

Principle G – Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability

Agendas, reports and minutes of Council, Cabinet and Committees are published on the website, with limited exemptions. We have regard to the Local Government Transparency Code and the Openness of Local Government Bodies Regulations 2014. Whistleblowing Policy in place. Decision-making procedures require legal and finance clearance on all formal reports. The Constitution sets out the executive arrangements, roles and responsibilities of members and officers. Scrutiny functions are established and active. Internal Audit reports, recommendations and progress are reported to Audit and Governance Committee. Internal and external audit provide independent assurance and promote accountability and learning.

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8. Significant Governance Issues

8.1 Progress on Governance Issues from 2024/25

Issue 1 - Ensuring financial resilience against a backdrop of significant changes in macro-economic conditions and contraction of public sector finance

- Financial scenarios modelled in light of identified risks.
- Targeted activity through MTFP Delivery Board focused on asset rationalisation (capital receipts), demand and insight, efficiency and innovation, artificial intelligence and adult social care.
- Monitoring of the Treasury Strategy and forecasts, with regular review of reserves strategy.
- Ongoing quarterly reporting and mitigating actions; Medium-Term Financial Strategy approved in Autumn 2025; balanced budget set in February 2026.
- Regular monitoring of the DSG management plan.

Issue 2 - Managing increased demand for Council services

- Insight-led approach to understanding and forecasting demand, particularly social care and homelessness.
- Exploration of market provision/sufficiency to reduce reliance on external provision, prioritised and reported through MTFP Delivery Board.

Issue 3 - Completing the Constitutional Review

- External review undertaken; cross-party panel established; draft Constitution developed and considered.
- Full Council approval not yet achieved; work remains ongoing and was reflected in the Council Delivery Plan.
- This has been included in the Council Delivery Plan for 26/27. However, several areas of work first developed as part of the review have since been adopted (Overview and Scrutiny Protocol, Training and Development Strategy, Member Role Profiles).

Issue 4 - LGR

- Submission of the LGR proposal and transition planning for pre-decision.

Further information can be found in **Annex A**.

8.2 Key Governance Issues in 2025/26

The key governance issues to be reported for 2025/26 are:

Issue 1 - Financial Resilience

- Significant financial pressures and low reserves requiring strong controls and MTFP Delivery Board oversight.

Issue 2 - Backlog of disclaimed audit opinions for the Statement of Accounts

- Ensure adequate internal resources to support the external audit plan to build assurance and move to a clean opinion

Issue 3 - Managing increased demand for Council services

- Insight-led approach to understanding and forecasting demand, particularly social care and homelessness, whilst taking a preventative approach to our locality working.

Issue 4 - Dedicated Schools Grant (DSG)

- Special Educational Needs and Disabilities (SEND) and DSG – High Needs Block moving into deficit; need for robust deficit management plan and system-wide approach through partnership structures.

Issue 5 - Changes to health partnerships (ICP) and reductions in health operating budgets

- Significant restructuring of health services has created financial uncertainty for the commissioning of placements.

Issue 6 - Addressing any Internal Audit recommendations for limited assurance audits and ensuring timely implementation of all Internal Audit recommendations

- Adult Social Care – Quality and Improvement, Occupational Therapy, Stores Road Depot – Stock and Plant Equipment, Parks & Open Spaces (to be updated).

Issue 7 - SEND capacity to undertake audit

- Audit activity has not commenced within SEND due to capacity issues in light of inspection readiness.

Issue 8 – Constitution

- External review undertaken; cross-party panel established; draft Constitution developed and considered. This has not yet been adopted.

Issue 9 - Local Government Reorganisation (LGR)

- Development of proposals for new unitary councils; significant future implications for governance, capacity, and service delivery.

Issue 10 - Inspections and assessments

- Ongoing requirement to respond to any significant inspection and assessment recommendations.

Issue 11 - Complaints and customer feedback

- A new complaints policy and process have been implemented to comply with the Local Government & Social Care Ombudsman's Complaint Handling Code. This requires embedding to ensure learning from complaints is used effectively.

Issue 12 - Assurance framework

- Audit & Governance Committee requested more regular information on AGS actions and assurance activity.

Issue 13 - Strengthen approach to partnership working

- In light of the dynamic policy landscape including LGR, partnership governance needs to be strengthened and aligned with other Derbyshire authorities.

An action plan to address these issues can be found at **Annex B**.

Annex A – Review of Action Plan for 2025/26

Governance Issue	2024/25 Actions Planned	Progress / Implementation in 2025/26	Status at 31 March 2026
<p>1. Ensuring financial resilience against a backdrop of significant changes in macro-economic conditions and contraction of public sector finance</p>	<ul style="list-style-type: none"> - Model financial scenarios in light of identified risks. - Deliver targeted activity through the MTFP Delivery Board focused on: <ul style="list-style-type: none"> • Asset rationalisation (including prioritisation of capital disposals to deliver capital receipts) • Demand & Insight • Efficiency & Innovation • Artificial Intelligence • Adult Social Care - Monitor the Treasury Management Strategy and capital and revenue forecasts. - Undertake regular review of the reserves strategy. - Monitor the DSG management plan to manage the DSG deficit and support implementation of the SEND transformation. 	<ul style="list-style-type: none"> - Regular financial monitoring undertaken and reported quarterly to Council Cabinet - Ongoing quarterly reporting and implementation of mitigating actions coordinated through the MTFP Delivery Board. - Medium Term Financial Strategy (MTFS) approved in Autumn 2025 (Cabinet – November 2025 with Appendix 1). - A balanced budget set in February 2026. - Regular monitoring of the DSG management plan, with specific focus on the High Needs Block. - Treasury management strategy approved 	<p>Ongoing – Significant progress in strengthening financial planning and oversight, but underlying pressures (especially social care, homelessness, DSG High Needs). Reserves levels have been improved and should be maintained going forward. Financial sustainability remains a key governance risk going into 2026/27.</p>
<p>2. Managing increased demand for Council services</p>	<ul style="list-style-type: none"> - Adopt an insight-led approach to understanding and forecasting demand, especially for statutory services such as social care and homelessness. - Investigate opportunities regarding market provision and sufficiency to reduce reliance on external provision. 	<ul style="list-style-type: none"> - Insight work has been undertaken to understand demand trajectories in key services (for example, social care and homelessness) and to inform MTFP planning. - Opportunities regarding market provision and sufficiency are being prioritised and reported through the MTFP Delivery Board, linked to the demand and efficiency workstreams. 	<p>Ongoing – Demand management and market sufficiency remain central to the Council’s financial and service resilience. Workstreams are in place but will need to continue and deepen in 2026/27.</p>

Governance Issue	2024/25 Actions Planned	Progress / Implementation in 2025/26	Status at 31 March 2026
3. Completion of the Constitutional Review	<ul style="list-style-type: none"> - Commission an external review of the Constitution. - Establish a cross-party panel to review proposals. - Secure Full Council approval of a refreshed Constitution. 	<ul style="list-style-type: none"> - External review undertaken, and a first draft of the refreshed Constitution produced. - The draft Constitution was extensively reviewed by the cross-party Constitutional Review Working Group in Autumn 2023 and circulated to all elected members. - Following member feedback, amendments to committee procedure rules and Overview and Scrutiny arrangements were incorporated. - The draft Constitution was presented to Annual Council in May 2024 but was not approved. - Work is ongoing and the Constitutional Review is included in the Council Delivery Plan for 2026/27. 	Partially complete / Ongoing – Substantial development work completed, but Full Council approval is still required. Further political engagement and refinement will be necessary in 2026/27.
4. Local Government Reorganisation	Develop the case for change and proposals for Government submission; continue collaboration with Derbyshire councils; develop implementation plans for shadow authority and new unitary arrangements.	<p>Proposals were submitted by 28 November 2025.</p> <p>An LGR programme board has been established with all 10 Derbyshire authorities. Work during the pre-decision phase has focused on Day 1 requirements, data hub, submission of feedback to Government on the Structural Changes order and enabling change. There is ongoing implementation planning.</p>	<p>Completed.</p> <p>Ongoing.</p>

Annex B – Governance Action Plan for 2026/27

Governance Issue	Actions to be Taken in 2026/27	Timescale	Responsible Officer(s)	Intended Outcome / Measure of Success
1. Financial resilience	<p>Delivery of the Medium-Term Financial Strategy and Medium-Term Financial Plan.</p> <p>Quarterly reporting and implementation of mitigating actions co-ordinated through the MTFP Delivery Board:</p> <ul style="list-style-type: none"> • Asset rationalisation • Demand, Insight & Innovation • Efficiency & Innovation • Artificial Intelligence <p>Monitor the Treasury Management Strategy and capital and revenue forecasts.</p> <p>Regular review of reserves strategy.</p>	Ongoing / March 2027	Alison Parkin, Director of Finance	<ul style="list-style-type: none"> • A balanced budget set in February 2027 • A balanced 26/27 outturn • Medium-Term Financial Strategy (MTFS) approved in Autumn 2026. • Ongoing replenishment of reserves
2. Backlog of disclaimed audit opinions for the Statement of Accounts	Ensure adequate internal resources to support the external audit plan to build assurance and move to a clean opinion	Ongoing as per the external audit plan	Alison Parkin, Director of Finance	<ul style="list-style-type: none"> • Assurance audits completed as per the external audit plan
3. Managing increased demand for Council services	Embed an insight-led approach to understanding and forecasting demand, especially for statutory	March 2027	Alison Parkin, Director of Finance Andy Appleyard, Director	A reduction in the required growth as part of the MTFP process.

Governance Issue	Actions to be Taken in 2026/27	Timescale	Responsible Officer(s)	Intended Outcome / Measure of Success
	<p>services such as social care and homelessness.</p> <p>Deliver Place based prevention strategy</p> <p>Full implementation of the Temporary Accommodation Procurement Framework</p> <p>Investigate opportunities regarding market provision and sufficiency to reduce reliance on external provision</p>		<p>of Communities</p> <p>Suanne Lim, Director of Early Help and Children's Safeguarding</p> <p>Ian Fullagar, Director of Housing and Regulatory Services</p> <p>Simon Aitken, Director of Communities</p>	<p>Volume / cost reductions</p>
<p>4. Dedicated Schools Grant (DSG)</p>	<p>Approval of the SEND Reforms Plan</p> <p>Regular monitoring of the DSG management plan, with specific focus on the High Needs Block.</p> <p>DSG delivery group chaired by S151 with DCS attending and Director reporting.</p> <p>Quarterly monitoring being undertaken on all LAs by the DFE finance teams.</p>	<p>March 2027</p>	<p>Sharon Buckby, Director of Learning Inclusion and Skills</p> <p>Alison Parkin, Director of Finance</p>	<p>Release of the DSG Deficit Funding by Department for Education.</p> <p>Reduction in number of specialist out of city placements</p> <p>Completion of capital projects</p>
<p>5. Changes to health partnerships (ICP) and reductions in health operating budgets</p>	<p>Introduction of specific roles with Commissioning Teams to provide more capacity, skills and knowledge to</p>	<p>March 2027</p>	<p>Gurmail Nizzer, Director of Commissioning</p>	<p>Reduction in the number of contested cases between the Council and the ICB.</p>

Governance Issue	Actions to be Taken in 2026/27	Timescale	Responsible Officer(s)	Intended Outcome / Measure of Success
	secure funding. Seek support of regional ADASS branch experts.			
6. Addressing any limited assurance Internal audit recommendations and ensuring timely implementation of all Internal Audit recommendations	Focused efforts to address Internal Audit recommendations for: <ul style="list-style-type: none"> • Adult Social Care – Quality and Improvement • Occupational Therapy • Stores Road Depot – Stock and Plant Equipment • Parks & Open Spaces Ongoing action by relevant responsible officers to ensure actions are taken to address recommendations in line with agreed action dates, with timely updates on progress made.	March 2027	Andy Appleyard, Director of Adult Social Care Simon Aitken, Director of Communities Verna Bayliss, Director of Sustainability All Directors	Reduced number of outstanding limited assurance recommendations Closure of outstanding recommendations
7. SEND capacity to undertake audit	Commence Internal audit work following anticipated inspection.	<i>TBC - Autumn / Winter 2026</i>	Hannah McDonald, Chief Audit Executive / Sharon Buckby, Director of Learning Inclusion and Skills	Completed audit and assurance given.
8. Constitution	Secure Full Council approval of a refreshed Constitution.	March 2027	Alex Hough, Head of Democracy	New Constitution implemented.

Governance Issue	Actions to be Taken in 2026/27	Timescale	Responsible Officer(s)	Intended Outcome / Measure of Success
9. Local Government Reorganisation (LGR)	<p>Continue LGR readiness preparations, including milestone plans, interdependencies and resource planning</p> <p>Secure additional resources secured to underpin LGR readiness</p> <p>Establish LGR Network to support internal sharing of insight, good practice and assurance</p> <p>Identify and monitor key risks and opportunities</p> <p>Communications plan which ensures regular colleague and councillor engagement</p> <p>Readiness for Shadow Authority elections.</p>	Ongoing to March 2028	Heather Greenan, Director of Corporate Management	<p>Clear implementation plan in place</p> <p>Adequate level of resources to maintain business as usual and LGR.</p> <p>Identified risks and opportunities with appropriate mitigation.</p> <p>Regular LGR engagement in place for colleagues and councillors.</p>
10. Inspections and assessments	<p>Ensure appropriate improvement plans are in place and monitored for identified inspections such as:</p> <ul style="list-style-type: none"> • Adult Social Care • SEND 	To be updated upon latest inspection reports	Andy Smith, Strategic Director of People's Services	<p>Recommendations and improvements delivered on a timely basis.</p> <p>Improved outcomes for service users.</p>

Governance Issue	Actions to be Taken in 2026/27	Timescale	Responsible Officer(s)	Intended Outcome / Measure of Success
11. Complaints and customer feedback	Embed new complaints system and ensure regular reporting and learning from complaints.	March 2027	Jane Witherow, Head of Customer Engagement	Improved insight, processing and learning from complaints
12. Assurance framework	Develop more regular monitoring of AGS issues/ action plan, using internal performance systems and assurance/ governance forums (PMO, Corporate Risk Management Group and Performance Board).	November 2026	Emily Feenan, Director of Corporate Governance, Property and Procurement Heather Greenan, Director of Corporate Management	Improved oversight of governance improvement activity (with specific tracking of actions within this plan)
13. Strengthen approach to partnership working	Finalisation of Partnership Policy Completion of Partnership Register review Audit of partnership agreements LGR mapping and alignment (subject to LGR programme priorities)	March 2027	Emily Feenan, Director of Corporate Governance, Property and Procurement Heather Greenan, Director of Corporate Management	Current understanding of partnerships in place, partnership agreements, funding and exit strategies. Greater awareness of risks and opportunities arising from partnerships.

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