

## Audit Committee

30 September 2016

Annual Governance Statement for April  
2015 – March 2016



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### Report of Paul Darby, Interim Corporate Director Resources

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#### Purpose of the Report

- 1 This report seeks approval of the final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2015/16.

#### Background

- 2 CMT considered the draft AGS on 8 June 2016, with the Audit Committee approving the draft AGS on 30 June 2016.
- 3 As part of the audit of the Statement of Accounts, the External Auditor (Mazars) reviews the AGS to ensure it is materially accurate and that it is a correct reflection of known governance issues throughout the year. As part of this review the External Auditor has requested a small number of amendments to the draft AGS prior to its approval as part of the audited Statement of Accounts at Audit Committee.

#### Proposed changes to the Draft Annual Governance Statement

- 4 The proposed amendments are highlighted below. For reference purposes, the paragraph number in the revised AGS is highlighted, and the paragraph in the original draft AGS is also noted (in brackets) for each change:-
  - (i) Paragraph 20 (20) currently reads:

*Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services:-*

- *An inspection of children's services and review of the Local Safeguarding Children's Board by Ofsted under their single inspection framework. A Quality Improvement Board provides strategic oversight of the Ofsted implementation plan and quality assurance developments in Children's Services.*

Following agreement with the Interim Corporate Director, Children and Young Peoples Service it is suggested that we remove this bullet point on the grounds of making the AGS a more accurate reflection of the findings of the Ofsted Report. A new paragraph (21) is suggested containing the following text:

*‘During the year, an inspection of children’s services and a review of the Local Safeguarding Children’s Board were undertaken by Ofsted under their single inspection framework. A Quality Improvement Board, which had already been established to oversee quality assurance developments in Children’s Services, will also provide strategic oversight of the Ofsted implementation plan.’*

(ii) Paragraph 84 (83) currently reads:

*The Council’s [Constitution](#) sets out the governance roles and responsibilities of these functions. In addition:*

- Internal and External Audit provide independent assurance on the effectiveness of the corporate governance framework*

At the request of the external auditor it is proposed that this bullet point is re-worded as follows:

*‘External Audit provides an independent opinion on whether the Annual Governance Statement is materially accurate.’*

- 5 A copy of the final proposed AGS is attached in Appendix 2 and this will be included in the audited Statements of Accounts.

## **Recommendation**

- 6 The Audit Committee to approve the final AGS in Appendix 2.

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**Contact: David Marshall Tel: 03000 269648**

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## **Appendix 1: Implications**

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**Finance** - Financial planning and management is a key component of effective corporate governance.

**Staffing** - Ensuring the adequate capability of staff meets a core principle of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance.

**Risk** – Delivery of the corporate governance action plan will strengthen the decision making and strategic and operational management of the Council's business.

**Equality and Diversity/ Public Sector Equality Duty** - Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

**Accommodation** – None directly, although asset management is a key component of effective corporate governance

**Crime and Disorder** – None.

**Human Rights** - None.

**Consultation** - Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

**Procurement** – None.

**Disability issues** – Ensuring access to services meets a core principle of the CIPFA/ SOLACE guidance.

**Legal Implications** – Ensuring compliance with relevant laws and regulations, and ensuring that expenditure is lawful, is a key component of effective corporate governance

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## **Appendix 2: Annual Governance Statement 2015/16**

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### **SCOPE OF RESPONSIBILITY**

1. Durham County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
2. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
4. In January 2015, the Council approved, adopted and published on its website, a revised Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – “Delivering Good Governance in Local Government”.
5. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

6. The governance framework comprises of the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services for the people of County Durham.
7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and

prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

8. The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

## THE GOVERNANCE FRAMEWORK

9. The key elements of the systems and processes that comprise the Council's governance arrangements are detailed in the Council's Local Code of Corporate Governance, which is documented in the Council's [Constitution](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the six core principles of the CIPFA/ SOLACE Framework.
10. The following sections demonstrate assurance that the Council has complied with each of these principles in practice, and also highlights where we have further improved our corporate governance arrangements during 2015/16.

### The Six Principles of Good Governance

#### **Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

11. The [Sustainable Community Strategy \(SCS\) 2014 – 2030](#) which has been produced by the Council in conjunction with its partners on the County Durham Partnership, demonstrates its shared long-term vision for the future of County Durham. This vision for County Durham, namely 'Altogether Better Durham' outlines two areas of focus – **Altogether Better Place** and **Altogether Better for People** and five priority themes, which represent the major issues identified by residents:
  - Altogether wealthier – focusing on creating a vibrant economy and putting regeneration and economic development at the heart of all our plans. This theme is supported by the [Regeneration Statement 2012 – 2022](#) and the [County Durham Plan](#);
  - Altogether better for children and young people – ensuring children and young people are kept safe from harm and that they can 'believe, achieve and succeed'. This theme is supported by the [Children, Young People and Families Plan 2015 - 2018](#);

- Altogether healthier – improving health and wellbeing, supported by the [Joint Health and Wellbeing Strategy 2016 - 2019](#);
  - Altogether greener – ensuring an attractive and ‘liveable’ local environment and contributing to tackling global environmental challenges. This theme is supported by the [County Durham Plan](#);
  - Altogether safer – creating a safer and cohesive county, supported by the [Safe Durham Partnership Plan 2015 - 2018](#) and the [Police and Crime Plan 2015 - 2017](#).
12. The SCS was renewed and launched in November 2014 and identified six new areas of cross-thematic focus that will benefit from additional joined up working: Job Creation, Volunteering, Inequalities, Alcohol, Mental Wellbeing and Think Family. The 2014 version of the strategy reflects changes in local priorities and the need to deliver services with fewer resources. The strategy will undergo a substantial review during 2016/17.
  13. The County Durham Partnership, which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners, and is underpinned by thematic partnerships set around the five priority themes. Operationally, it is supported by the Delivery and Improvement Group, whose role is to monitor performance towards implementing the SCS, and consider strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning.
  14. The [Council Plan 2016 - 2019](#) was approved in April 2016 and contains the Council's corporate priorities and the key actions to take in support of delivering the longer term goals in the SCS and the Council's own improvement agenda. The [Council Plan](#) is supported by a series of Service Plans at a Service Grouping level which detail the planned actions to deliver the Council's vision.
  15. The [Medium Term Financial Plan 2016 - 2019 \(MTFP\)](#) was approved by the Council in February 2016. This provides a financial framework associated with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money (VFM). The key risk facing the Council continues to be the challenge of managing unprecedented budget reductions in the current period of economic austerity. To meet this challenge, a comprehensive schedule of savings targets has been programmed to achieve the necessary savings to enable us to deliver a balanced budget and [MTFP](#). Assurance over the delivery of this programme is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT) and, during the five years up to the end of March 2016, a sum of £153m of savings has been delivered. These

arrangements will equip the Council well for dealing with further austerity measures announced as part of the latest central government spending review. The Council has maintained prudent levels of reserves enabling us to meet unanticipated expenditure as necessary whilst still achieving planned savings targets and meeting service level expectations.

16. Despite sustained, large-scale Government spending cuts and rising demand for services, the MTFP seeks to deliver some very positive outcomes for the people of County Durham. Significant capital investment in town centres and industrial estates will support regeneration, the Council's highest priority, in order to protect existing jobs and create new ones. The Council Tax Reduction Scheme provides continued support for low-income, working age households; and ongoing work with partners aims to maximise health and social care funds for the benefit of vulnerable people.
17. In April 2014, the Council submitted the County Durham Plan to the Government and this was followed by an examination in public. After the Planning Inspector's Report rejected the plan, the council challenged the report, which was subsequently quashed by the High Court. Following discussions with the Department for Communities and Local Government and the Planning Inspectorate, legal advice was sought and the Council decided to undertake a three stage process in preparation of a new local plan, which will also ensure meaningful engagement with the community and other stakeholders. In the meantime, members have endorsed a revised Policy Position Statement to clarify how development proposals will be handled to ensure that appropriate sustainable development is not delayed.
18. To manage and measure service improvement, the Council has a locally led performance management framework that links to the SCS and the [Council Plan](#) and ensures that attention is focused on Council priorities. Key target indicators are used in areas where improvements can be measured regularly and can be actively influenced by the Council and its partners. Where possible, performance is compared with that of other Councils using a recognised, online tool. A new indicator set and targets were developed for 2015/16 to ensure that our efforts continue to be focused on the right areas, and these were agreed by Cabinet in June 2015.
19. There are numerous examples of internally-driven improvements during 2015/16 that evidence the effectiveness of the Council's governance arrangements:-
  - Successful transfer of ownership of the Council's housing stock to the new County Durham Housing Group Ltd in April 2015, representing a significant opportunity to increase investment in homes, local

neighbourhoods and housing services to further improve the lives of tenants;

- Established localised, multi-disciplinary 'Families First' teams to help children, young people and their families achieve and maintain good progress;
- Increased self-serve facilities, allowing people to access more services through our website on a 24/7 basis;
- A new mobile-friendly website, Locate, provides an improved directory of vital care and support services, replacing the Durham Information Guide;
- Effectively managed the reductions in library opening hours, rather than closing them, in response to consultation with service users;
- Refurbishment of three waste transfer stations giving improved recycling facilities and more scope to recycle.

20. Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services:-

- An assessment of leisure centres against the QUEST quality standard.
- The Strategic Waste Team's management of seven former landfill sites and 11 closed landfill sites is regulated by the Environment Agency and Northumbrian Water;
- A programme of independent audits evaluates, for accreditation or certification, activities such as asset management, safety management and collaborative business relationships.

21. During the year, an inspection of children's services and a review of the Local Safeguarding Children's Board were undertaken by Ofsted under their single inspection framework. A Quality Improvement Board, which had already been established to oversee quality assurance developments in Children's Services, will also provide strategic oversight of the Ofsted implementation plan.

22. The Council continues to seek value for money (VFM) through its high level objective 'effective use of resources' under the Altogether Better Council theme. In this way, pursuit of VFM is built into all of the Council's plans and activities, and numerous reviews have been undertaken across the Council to provide assurance that VFM services are being provided. Senior Management Teams have used benchmarking data from statutory returns, such as budget statements collected by the Department for Education and the Personal Social Services Expenditure Return, to inform programmes of VFM reviews and savings options in various service areas. Where necessary, this has been supplemented by data from commercial benchmarking clubs, such as



Chartered Institute of Public Finance and Accountancy (CIPFA), to facilitate meaningful comparisons with other organisations. The results of these benchmarking exercises demonstrate that the Council compares favourably against other Councils in the majority of cases. Nevertheless, in the context of continuous improvement, the Council assesses any weaknesses identified from these exercises where improvements in performance can be achieved. Independent assurance of our VFM was also gained from our External Auditor, who issued an unqualified VFM conclusion for our 2015/16 Accounts.

23. The Council's Cabinet is responsible for monitoring performance and ensures that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through quarterly performance reporting to Cabinet and through performance clinics between the Chief Executive and individual Corporate Directors and the Assistant Chief Executive during the year. Members have robustly scrutinised the performance of the Council, demonstrated by a number of key scrutiny reviews of Council services during 2015/16, which are outlined in the [Overview and Scrutiny Annual Report](#).
24. The Annual Statement of Accounts was approved by the Audit Committee in September 2015, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2011. Further independent assurance of the Council's financial management was provided by the External Auditor in both their Audit Completion Report and Certification of Claims and Returns Annual Report. Governance reviews are also led by Services, such as the quality assurance team in Children and Adults Services, who carried out a number of audits during the year.
25. To enable better use of resources, the Council has made the following changes:
  - A new banking service was implemented in December 2015, following the previous supplier's withdrawal from the local authority market in 2014;
  - Chapter Homes established as an arms-length private company to develop council-owned land for housing to be sold and rented at market values. This is in line with the overall aim to capitalise on our assets in order to improve our economic performance and the prospects of our people;
  - Ensuring all contracts contain clauses requiring providers to have appropriate procedures in place to prevent unlawful discrimination in employment.
26. A programme management approach for key corporate projects is embedded, supported by project management training across the Council. Examples which demonstrate that rigorous programme management has enabled

effective delivery of major projects include the transfer of Community Buildings, the Housing Stock Transfer, the new banking contract and a two year, £3.4 million programme of repairs to Seaham North Pier. Assurance is gained by regular monitoring of the delivery of these projects by Corporate Management Team.

27. The Council's Corporate Asset Management Plan (CAMP) and Property Strategy were approved by Cabinet in July 2013. The CAMP sets out the Council's approach to ensuring that it makes best use of its assets in terms of service benefit, financial benefit and value for money. The Property Strategy sets out the main principles to ensure that opportunities to share the use of property are identified, and to make sure that assets are fit for purpose, cost effective and used to support regeneration and economic development. The Council is now a forerunner in asset transfer, having successfully assigned a number of leisure centres, a golf course and children's centres to community organisations. The recently completed community buildings programme was one of six national winners in the Carnegie Trust's Enabling State Awards and was described as ground-breaking and innovative. A key element of the programme is to work with local communities and our partners to consider alternative ways of continuing to provide front line services.
28. Service Asset Management Plans are also in place and these include any heritage assets of the holding service.

**Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

29. The key governance documents supporting this principle are contained in the [Constitution](#). These arrangements are further strengthened by a number of formal member and officer working groups.
30. The [Constitution](#) sets out how the Executive is made up and how appointments to this committee are made. The roles and responsibilities allocated by the Leader under the terms of the [Constitution](#), to individual members and the committee as a whole, are set out in detail in the [Constitution](#) as well as the Scheme of Delegation for Senior Officers. The [Constitution](#) allows joint arrangements to be established for specific purposes such as the provision and maintenance of crematoria, and sets out details of existing joint arrangements, including purpose, parties and effective dates.
31. The Constitution Working Group, which consists of the lead members of each political party, and is chaired by the Leader of the Council, proposed amendments to the [Constitution](#) during the year which were approved by the

Council. Changes following the annual review of the [Constitution](#) were approved by the Council in May 2016.

32. The arrangements and rules of procedure for the Overview and Scrutiny function, including the membership, functions and scope of the Overview and Scrutiny Board and each Committee is set out in detail in the [Constitution](#). Terms of Reference for the Board and Committees are set within the context of the [Council Plan](#) and the [Sustainable Community Strategy](#).
33. Under the terms of the [Constitution](#), the Council elected a Leader and made appointments to a number of committees with various regulatory and scrutiny responsibilities. The Leader has nominated nine other councillors, including a Deputy Leader, with specific responsibilities to form the Cabinet.
34. The Health and Wellbeing Board, a Committee of the Council, was established as a consequence of the Health and Social Care Act 2012. Public Health responsibilities also transferred to the Council from the NHS with effect from April 2013. Its functions include:
  - Developing and agreeing the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy;
  - Promoting integrated working between commissioners of health services, public health and social care services, for the purpose of advancing the health and wellbeing of people in its area; and
  - Developing a Pharmaceutical Needs Assessment.
35. An example of members and officers working together is the Member Officer Working Group (MOWG) assessing capital bids in the development of the MTFP. Bid submissions were considered taking key factors account, such as the Service Grouping's assessment of priority, availability of capital financing and whether schemes could be self-financing. MOWG also recognised the need for caution in committing to high levels of prudential borrowing at this stage for future years.
36. A new Chief Executive was appointed following the retirement of the previous post-holder. The process was overseen by the Chief Officer Appointments Committee, which is made up of 11 Members of the Council including the Leader and Deputy Leader who are Chair and Vice-Chair respectively. The decision was approved in October 2015 by full council, in line with the Council's Constitution.
37. The Council has appointed the Corporate Director Resources as Chief Financial Officer and Section 151 Officer to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local

Government (2010). The Chief Financial Officer, who is a member of the CMT and reports directly to the Chief Executive, has been involved in all CMT discussions, and has reviewed all reports to Cabinet which have financial implications. The Chief Financial Officer has also provided an opinion under section 25 of the Local Government Act 2003 on the reserves for the Council, which Members considered when setting the budget.

38. The Children Act 2004 requires every top tier local authority to appoint a Director of Children's Services with professional responsibility for the leadership, strategy and effectiveness of local authority children's services. The Council completed a Local Test of Assurance (LTA) in accordance with statutory guidance, and this was reported to Audit Committee in September 2015. The purpose of the LTA is to ensure that the focus on outcomes for children and young people is not weakened or diluted as a result of combining this statutory role with other functions.
39. The new Chief Executive progressed plans to implement, during 2016, a revised chief officer structure to reflect the challenges faced by the Council whilst building on existing organisational strengths.
40. Members and Officers work together on the work programme of the Cabinet which is managed through a system of Cabinet pre-agenda meetings. To support this, Corporate Directors have held regular briefing sessions with Cabinet Portfolio Members and their support Members.
41. Members' remuneration is overseen by an independent panel, and their report was approved by Council in October 2015.

**Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

42. The key governance documents supporting this principle are the [Constitution](#), the [Council Plan](#) and the Register of Gifts and Hospitality.
43. The Standards Committee has the key governance role of promoting and monitoring high standards of conduct by elected Members, independent Members and co-opted Members. The Localism Act 2011 introduced a new duty to promote and maintain high standards of conduct and an ethical framework was adopted accordingly.
44. In terms of disclosure of gifts, hospitality and interests, assurance is gained over Member declarations and registrations by the Monitoring Officer maintaining and monitoring the Register of Gifts, Interests and Hospitality for Members, which is available online. Staff declarations are maintained and monitored by their Head of Service. An Internal Audit report recommending

improved arrangements for maintaining registers was approved by Corporate Management Team in March 2015.

45. A climate of openness has been encouraged by the Council Leader who holds regular Cabinet meetings at various locations throughout County Durham. The key elements of the Council's approach to communicating and embedding the expected standards of behaviour for Members and staff are also detailed in the Council [Constitution](#). The Council's Codes of Conduct included in the [Constitution](#) also apply to its partnership working, and the revised Code of Conduct for Employees was approved by Corporate Management Team in September 2014. The [Constitution](#) also sets out a protocol for the Chairman and Vice-Chairman of the Council that includes an expectation of political neutrality and acting as the conscience of the Council.
46. The values of the Council are further promoted in the [Equality Policy](#), which was approved in January 2014 and includes 'protected characteristics' covered by the Equality Act. Supporting this scheme is an impact assessment process, which ensures that the impact on equality is considered in the Council's decision making. For example, the proposals in the 2016/17 MTFP strategy have been shaped by residents' and stakeholders' views with high level analysis of the equalities impact. A schedule of impact assessments is monitored through the Equality, Diversity and Cohesion Working Group. The implementation of the Access Strategy is monitored by the Equality, Diversity and Cohesion Working Group and a programme is in place for making access improvements to identified priority buildings.
47. During 2014/15, a new CCTV Policy and Code of Practice were implemented to improve the way the Council uses its powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

**Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

48. The key governance documents supporting this principle are the [Constitution](#); the [Corporate Complaints Policy and Procedure](#); the Risk Management Strategy and Policy; the [Counter Fraud and Corruption Strategy](#); and the [Confidential Reporting Code \(Whistleblowing policy\)](#).
49. The Council's [Constitution](#) sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are effective, transparent and accountable to local people. Amendments made to the Constitution during the year include updated officer scheme of delegations, the inclusion of a civic handbook and an update to the Members' Allowance Scheme.

50. All major decisions as identified in the officer delegations scheme are documented, with the reports and decisions made for those that are in the public domain being available on the website. All Cabinet reports must state that legal advice on proposals has been sought, as well as the source of the advice, and Chief Officers and Heads of Service were briefed on this by way of a refresher in February 2014 by the Head of Legal and Democratic Services.
51. The following improvements to governance arrangements in this area were implemented during the year:-
- The complaints process was modified to resolve issues more quickly and informally with service groupings taking the lead in resolving matters, allowing the corporate complaints unit to focus on investigating cases where people are not satisfied with the handling of their complaint;
  - An internal audit of the Officer Scheme of Delegations concluded that there is a sound system of control with only minor risk to achieving system objectives; and
  - As a positive response to the Local Government Transparency Code, a transparency and accountability web page was set up.
52. A notice of key decisions covering a rolling period of four months is published on the Council's website. Decisions made by the Executive are published on the Council's website within two days of the respective meeting.
53. The key mechanism provided for employees, and contractors and suppliers providing services for the Council, to raise concerns about potential breaches of conduct in decision-making is the [Confidential Reporting Code \(Whistleblowing policy\)](#), which is part of the Council's [Constitution](#), and is monitored by the Audit Committee. The policy is referenced in the Scheme of Financing of Schools, and the School Financial Value Standard requires schools to have appropriate whistleblowing procedures. A revised [Confidential Reporting Code](#) was approved by Audit Committee in May 2014. An updated [Counter Fraud & Corruption Strategy and Fraud Response Plan](#) were approved by Audit Committee in February 2016. In June 2015, the Council established the Corporate Fraud Team to further strengthen its robust counter fraud arrangements, demonstrated by examples such as the development of proactive processes to identify and tackle suspicious insurance claims have been implemented during the year.
54. Overview and Scrutiny, which consists of an Overview and Scrutiny Management Board and six committees, has the key role to make decision-making processes transparent, accountable and inclusive and to improve

services for people by being responsive to their needs. Where appropriate, Members have scrutinised the decisions of the Council, demonstrated by a number of key reviews which are outlined in the [Overview and Scrutiny Annual Report](#). They also contributed to a number of consultations and policy development areas, such as:

- Joint Health and Wellbeing Strategy;
- Joint Strategic Needs Assessment;
- Housing Strategy; and
- Flood Risk Management Authorities flood mitigation plans for County Durham.

55. A number of key in-depth evidence based reviews have also been carried out by Overview and Scrutiny Committees including:

- Attendance Management;
- CRM system development and implementation; and
- Alcohol and the demand upon Emergency services.

56. The Council has been shortlisted in the Excellence in Governance and Scrutiny category of the 2016 Municipal Journal Achievement Awards for its approach to scrutiny, community engagement and consultation on governance and council planning.

57. As part of the annual review of the [Constitution](#), the Terms of Reference of the Overview and Scrutiny Management Board and Committees were updated to reflect the refresh of the co-optee appointments. This demonstrates that the work of Overview and Scrutiny contributes to the strategic priorities of the Council and its partners, and reflects the legislative requirements placed on the Council in respect of scrutiny arrangements.

58. With regard to the Overview and Scrutiny Committees, key points to note include:

- The Adults Wellbeing and Health Overview and Scrutiny Committee has been conferred with the Council's powers of review and scrutiny in respect of NHS Service changes in accordance with the Health and Social Care Act 2012;
- Cross party representation on all Overview and Scrutiny Committees serves to promote an independent, non-partisan approach in their activities;
- A Joint Health Scrutiny Committee with Hartlepool and Stockton Borough Councils formally engages and responds to proposals to reconfigure



emergency medical and critical care services at North Tees and Hartlepool NHS Foundation Trust.

59. The Police and Crime Panel, which includes councillors from Durham County Council and from Darlington Borough Council, scrutinises the annual report, decisions and actions of the Police and Crime Commissioner (PCC). In March 2015, the Panel approved the refreshed Police and Crime Plan 2015 – 2017. An update on activity from the Panel is presented to each meeting of the Council's Safer and Stronger Communities Overview and Scrutiny Committee.
60. The Council's Monitoring Officer oversees the arrangements for conflicts of interest, gifts and hospitality. Members are required to review their declarations of gifts and hospitality annually. Officers and members are required to declare annually any conflicts of interest.
61. The Council's decision-making processes are also supported by:
  - A risk management strategy and policy;
  - An Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes; and
  - The Council ensuring that it complies with legal requirements in its decision making by ensuring that all reports requiring a decision include the legal implications, report authors confirming that they have obtained legal advice on proposals contained in reports, and the source of that legal advice.
62. An Audit Charter, which was approved in line with Public Sector Internal Audit Standards (PIAS), is in place. The Council's self-assessment against both the principles of the CIPFA Statement on the Role of Head of Internal Audit and the PIAS, which were presented to Audit Committee in June 2014, illustrates a high degree of compliance.
63. A Corporate Complaints policy is in place for non-statutory complaints, and details of complaints, and of investigations by the Commissioner for Local Administration, have been reported to Corporate Issues Overview and Scrutiny Committee.
64. A Freedom of Information (FOI) Policy and Publication Scheme are in place, and details of how to make a FOI request for information can be found on the Council's website.



65. To strengthen the Council's arrangements for maintaining good-quality information, a number of further improvements to governance in this area have been implemented in 2015/16. For example:

- The Assistant Chief Executive was designated Senior Information Risk Officer and holds regular meetings with the Head of Planning and Performance, Head of ICT Services and the Council's designated Caldicott Guardian;
- An online Data Protection Act training module was developed, which the majority of officers had completed by April 2015;
- Data protection arrangements regarding data sharing were improved through standardised subject access requests, improved use of privacy impact assessments and a rolling programme of audits. A privacy impact assessment process was agreed and successfully piloted in September 2015.

**Principle 5: Developing the capacity and capability of Members and Officers to be effective**

66. The key governance documents supporting this principle are the [Constitution](#); the Member Learning and Development Strategy; Organisational Development Strategy; Health, Safety and Wellbeing Strategy; and the Recruitment and Selection Policy.

67. The Council is committed to continually reviewing the development needs of Members and Officers.

68. Our approach to Member development is outlined in the Member Learning and Development Strategy, and the Member Learning and Development Policy, both of which were revised in October 2014. Induction training was provided for new Members elected during 2015/16 and individual training and development plans exist for all Members.

69. The Council continues to be a member of the North East Public Service Academy, which promotes excellence in learning across the public sector. Improvements to further develop the capacity and capability of officers during the year include:

- Numerous developments aimed at helping employees to meet the challenges of sustained reductions in finance and the consequent widespread changes in policy and service delivery;
- The "The Durham Manager" programme continues to be evaluated, developed and promoted to support managers in meeting the changing needs of the organisation. Recent training courses include project; management, 'succeeding through change' and 'difficult conversations';

- Resources Management Team agreed a three-year e-learning strategy in December 2015 following evaluation of the current process. This enables more training to be delivered on-line, ranging from corporate induction to recognising and managing stress in the workplace;
- The processes for undertaking appraisals after a restructure were reinforced, including the rollout of the Business Intelligence module;
- Training and development is promoted regularly in the Buzz magazine, through employee updates and via the intranet.

70. A revised corporate Health and Safety policy was launched in May 2014, and a revised Health and Safety and Wellbeing strategy was issued in June 2014. Independent assurance over the effectiveness of the Council's Occupational Health Service was demonstrated when it was awarded Safe, Effective, Quality Occupational Health Service (SEQOHS) accreditation, which is the formal recognition that it has demonstrated the competence to deliver against the measures in the SEQOHS Standards developed by the Faculty of Occupational Medicine. The Council also continues to support employees through the change process with, for example, Jobcentre Plus information sessions and confidential counselling services through the Employee Assistance Programme.

71. The Council continued to drive improvements in employee attendance with support for both employees and management through targeted health and wellbeing initiatives, training and changes to processes. The Corporate Issues Overview and Scrutiny Panel undertook a review of attendance management, which was reported to Cabinet in December 2015. The new Attendance Management Policy focuses on rehabilitation to support attendance at work and the main changes include early intervention with assistance from Occupational Health and a revised procedure for managing short-term absences.

72. The Council has taken steps, in consultation with various organisations, including the Royal Society for the Prevention of Accidents, to improve arrangements around managing water safety. A new Open Water Safety Policy was implemented following consultation with the Council's Water Safety Group and the Health, Safety and Wellbeing Strategic Group.

**Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

73. The key governance documents supporting this principle are the [Constitution](#); the [Consultation and Engagement Strategy](#); and the County Durham Partnership Community Engagement and Empowerment Framework.

74. As the strategic partnership for the County, the County Durham Partnership (CDP) is the lead umbrella partnership for most other partnerships in County Durham, and the Leader of the Council is the chair of the CDP. The Council's relationships with partners are managed through the Partnership Governance Framework. There are several examples of effective partnership working by the Council, including County Durham Economic Partnership (CDEP). The EU Investment Plan was created through the CDEP and used to inform the strategic approach developed through the Strategic Economic Plan and North East European Structural and Investment Fund (ESIF) Strategy for the effective use of funds to address Durham priorities. Clarity on relationships between the Council and these partners is provided through the County Durham Economic Partnership governance prospectus.
75. There were two significant developments around strategic partnership working in 2015/16. Firstly, the Durham Humanitarian Support Partnership was established to ensure that Durham's support for refugees placed in the county is joined up and will promote cross-service and agency working, as well as engagement with communities. The partnership is led by the Council and will also look to work with churches, the voluntary sector and other partners. Secondly, a newly-established Chief Officer Group provides support and oversight to chief officers across all statutory agencies of the safeguarding arrangements for children and adults services. The Group has an independent Chair and includes officers from the Council, NHS and the Police.
76. The Council's approach to engaging stakeholders is outlined in the [Consultation and Engagement Strategy](#). This is complemented by the County Durham Partnership Community Engagement and Empowerment framework, which has shaped and supported a common vision and approach for community engagement by partners in County Durham. The County Durham Compact provides a framework for partnership and engagement with the voluntary and community sector, and most partners within the County Durham Partnership are signatories. E-learning on the Compact has been delivered to partners and [VCS](#) organisations. Attendance by the public at Council meetings and the protocols for asking questions are contained in the [Constitution](#).
77. Three examples of active consultation and engagement with the public follow. Firstly, the consultation process for refreshing the Joint Health and Wellbeing Strategy involved a range of stakeholders and included a 'Big Tent' engagement event, which was attended by over 260 people. Secondly, the Council continued to work with community groups to explore opportunities for the transfer of council assets so that they can be sustainable into the future through the 'Durham Ask' initiative. Thirdly, the Council took account of a poll of County Durham voters, to inform its approach to the proposed Devolution

Agreement for the North East Combined Authority. Advertisements informing residents of the poll were placed in the local press and ran on local radio, generating a significant amount of interest with a turnout of 21.7%. The agreement, if signed, would devolve significant powers, funding and responsibilities around transport, investment, jobs, skills, housing and business support.

78. The Council has a strong commitment to working with partners to meet the needs of its communities. There are 14 [Area Action Partnerships \(AAPs\)](#) in place across the County, who are each governed by a board comprising members of the public, partner organisations and elected Councillors. These are multi-agency partnerships that are fully engaged with the community in identifying and addressing local priorities, and utilise locality budgets to drive improvements to the local area.
79. Through its partnership governance framework, the Council has gained assurance that:
  - Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority;
  - there is clarity about the legal status of the partnership; and
  - representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
80. Customer service arrangements have improved significantly. The Council's Customer First Strategy, which aims to put people at the heart of everything the Council does, continues to transform the way in which our residents, visitors, businesses and partners access our services. A new Customer Relationship Management System was procured to support the delivery of the strategy and its implementation and benefits will be monitored by Cabinet. The new system will build on progress made with the launch of the new website in October 2014 to provide further automated transactions and enhanced service information, reducing unnecessary direct customer contact. Since October 2014, the average number of visits to the site is over 290,000 per month with the most popular pages including traffic cameras, job vacancies and planning applications.
81. The Council continues to engage with employees with positive and productive outcomes. February's employee roadshows were attended by around 850 people, many of whom took the opportunity to raise issues directly with the new chief executive. Also, more than 2,000 employees took part in an internal communications survey at the end of 2015. Almost 75 per cent said they

would 'always' or 'mostly' speak highly of the council, which is above the national average across all business sectors. The information collected is now being used to improve internal communications, with further work being done to give employees more opportunities to have a say on council issues. Finally, in response to a staff suggestion through the Open Doors scheme, opening hours at the council's main headquarters were temporarily extended to help employees avoid peak traffic times and, in this way, reduce the impact on commuters during repairs to Durham City's Milburngate Bridge.

## **REVIEW OF EFFECTIVENESS**

82. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Internal Auditor and Corporate Fraud Manager, and also by comments made by the external auditors and other review agencies and inspectorates.
83. Maintaining the effectiveness of the corporate governance framework involves the key Member and Officer roles outlined below, namely:
- The Executive;
  - Chief Financial Officer;
  - Monitoring Officer;
  - Overview and Scrutiny Committee;
  - Standards Committee;
  - Audit Committee.
84. The Council's [Constitution](#) sets out the governance roles and responsibilities of these functions. In addition:
- The Corporate Director Resources co-ordinates and oversees the Council's corporate assurance arrangements by:
    - Preparing and maintaining the Council's Code of Corporate Governance as a formal framework for the Council's governance arrangements;
    - Reviewing the systems, processes and documentation to determine whether they meet the requirements of this Code, reporting any breaches and recommending improvements;
    - Preparing an Annual Governance Statement to demonstrate how far the Council complies with the principles of good governance and recommending improvements.

- Internal Audit provides independent assurance on the effectiveness of the corporate governance framework;
  - External Audit provides an independent opinion on whether the Annual Governance Statement is materially accurate.
85. The review was also informed by a statement provided by each Corporate Director and the Assistant Chief Executive commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.
86. Based on the delivery of the internal audit plan, Internal Audit is able to provide a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2015/16. This opinion ranking provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. Given the extent of change across the Council and the overall reduction in resources during the year, the sustainment of this assurance opinion should be regarded as a positive outcome.

## **SIGNIFICANT GOVERNANCE ISSUES**

87. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. The Council is fully committed to the principles of corporate governance, and has made further progress during the past twelve months in developing its arrangements.

## **Update on improvements identified in the 2014/15 Annual Governance Statement**

88. Following the production of the Annual Governance Statement for 2014/15, one improvement action was identified for 2015/16.

<b>No.</b>	<b>Actions to be taken</b>	<b>Lead Officer</b>
1	Production of County Durham Plan Strategy in response to interim report from Planning Inspector	Head Of Planning and Assets, Regeneration and Economic Development

In April 2014, the Council submitted the County Durham Plan to the Government and this was followed by an examination in public. After the Planning Inspector's Report rejected the plan, the council challenged the report, which was subsequently quashed by the High Court. Following

discussions with the Department for Communities and Local Government and the Planning Inspectorate, legal advice was sought and the Council decided to undertake a three stage process in preparation of a new local plan, which will also ensure meaningful engagement with the community and stakeholders. In the meantime, members have endorsed a revised Policy Position Statement to clarify how development proposals will be handled to ensure that appropriate sustainable development is not delayed. An Issues and Options paper was presented to Cabinet on 15 June 2016 to start the consultation process on developing a new Local Plan.

## Conclusion

89. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2015/16 were fit for purpose in accordance with the governance framework. As a result of the review of governance arrangements, and the work of both internal and external audit, we have identified two actions as being necessary to improve governance arrangements in 2016/17. This is shown in the table below.

### Proposed Governance Improvements required during 2016/17

No.	Actions to be taken	Lead Officer
1	Implement an action plan to enable approval of the County Durham Plan within statutory requirements	Head Of Planning and Assets, Regeneration and Economic Development
2	Implement a new chief officer structure to reflect the challenges faced by the Council whilst building on existing organisational strengths	Chief Executive Officer

## Signed:

Simon Henig  
Leader of Durham County Council

Terry Collins  
Chief Executive

Paul Darby  
Interim Corporate Director, Resources