

# TEESDALE DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2007/08

### 1. SCOPE OF RESPONSIBILITY

Teesdale District Council is responsible for ensuring 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure the continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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 and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: 'Delivering Good Governance in Local Government'. A copy of the code can be found on the Council website: [www.teesdale.gov.uk](http://www.teesdale.gov.uk) or by contacting:

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This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, 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.

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.

The governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of the approval of the statement of accounts (29 September 2008).

### **3. THE GOVERNANCE FRAMEWORK**

The Council's governance framework derives from six core principles identified in the 2004 publication: 'The Good Governance Standard for Public Services', produced by the Independent Commission on Good Governance in Public Services, set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

The six core principles are:

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

The remainder of this section outlines the key elements of each of these core principles within Teesdale District Council.

#### **3.1 Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area**

A clear statement of the Council's purpose and vision is set out in the Combined Corporate and Best Value Performance Plan: 'Achieving Excellence Together', produced for the first time, as a single document, in 2007.

The Council's vision, jointly agreed with our Local Strategic Partnership, is:

'Teesdale will be a place where people will want to live, work and visit while we protect and enhance our valuable environment; where we use opportunities to strengthen our economy; where our communities are vibrant and prosperous; and where our people are safe and healthy and able to realise their full potential.'

Our corporate values are:

- Equality and Diversity
- Effective Partnership working

- Innovation and Imagination
- Listening and Acting

The Combined Plan details the Council's corporate priorities, revised in 2006 following extensive internal and external consultation, and improvement projects, collectively termed: 'Improving Together'.

The corporate priorities are:

- To make Teesdale a cleaner and greener place
- To grow Teesdale's economy
- To improve the health and well-being of our residents and develop safer communities
- To meet the housing needs of our residents.

These priorities are reflected within the Sustainable Community Strategy and also within the Council's various strategies and plans, such as the Medium Term Financial Plan and Strategy, Leisure Strategy, Housing Strategy, Local Development Framework, People Strategy and Economic Development Strategy, and within operational objectives to be achieved by each service in the departmental service plans which are prepared and updated annually.

Performance against these objectives, and agreed targets and performance indicators, are monitored monthly by individual services with high level exception reports submitted to the Corporate Management Team (CMT), quarterly reports to the Improvement & Performance Board, comprising Executive and Overview & Scrutiny members together with CMT, and also subjected to initial and outturn reviews by Overview and Scrutiny Committee.

Specific and general satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery.

The Local Strategic Partnership for the District has been reviewed, restructured and relaunched as the Teesdale Partnership, with an independent chair and with community, parish and independent representation. A new Sustainable Community Strategy has been adopted, covering the period to 2021, with four overarching priorities:

- People
- Prosperity
- Access
- Environment.

The Council has a formal performance management framework in place providing links between the corporate objectives, the budget and service planning process, annual service plans and performance development reviews.

The annual service and financial planning cycle begins in September each year, the intention being that budget and service plans are agreed in February for the following Council year. Once service plans and performance targets have been agreed, employees' Performance Development Reviews, which set individual targets for the following year, take place.

Performance against targets is monitored, as outlined above, by each service, CMT, Overview & Scrutiny and the Improvement & Performance Board.

In addition, the Council's performance, during the period 2004 – 2008, was subjected to regular scrutiny by a Government Monitoring Board comprising the Department for Communities and Local Government, Audit Commission and Improvement & Development Agency representatives, established following the Council's 'Poor' Comprehensive Performance Assessment (CPA) classification in 2004. The Monitoring Board met on a regular (two to three monthly) basis to review the performance of the Council's improvement programme. Steady progress was made from 2004 and, in March 2008, the Council underwent a follow up CPA inspection. The final report was issued in June 2008, resulting in the Council being re-categorised as 'Fair'. The Audit Commission considered that the Council was performing at least adequately in all aspects covered by the assessment, a significant improvement on 2004.

### **3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The Council has adopted a Constitution which sets out how it operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The Council adopted the 'fourth option' or 'alternative arrangements' decision making system (available only to District Councils with a population under 85,000) in 2002, following the implementation of the Local Government Act 2000. Subsequent reviews have taken place and the Council now has a single, cross party Executive Committee, comprising the Leader and Deputy Leader (these posts first established in 2005) and six other lead members, each with a defined lead role.

In 2007, the Council established a new Audit & Governance Committee, with separate membership from both Executive and Overview & Scrutiny Committees; all committees have clearly defined roles within the Constitution.

All committee meetings are open to the public except where exempt or confidential matters are being considered.

The Executive Committee has delegated authority from the Council to make decisions in accordance with the policy and budget framework, subject to the call-in provisions which may be exercised by the Overview & Scrutiny Committee. Regulatory functions are undertaken by the Planning and Licensing Committees.

The Executive Committee operates in accordance with a rolling forward plan, published with each agenda and updated monthly on the Council's website. The Council's practice exceeds the minimum requirements laid down in the Local Government Act 2000.

Both the Executive and Planning Committees meet on a four weekly cycle and this, together with appropriate delegation to senior managers, enables speedy decision making. The scheme of delegation to committees and officers is regularly reviewed, most recently in 2007, following the implementation, in May, of the new management structure.

Executive lead members meet regularly with the appropriate chief and senior officers to ensure that members are kept informed of relevant matters and to enable them to provide support for, and to speak authoritatively about, the particular service area in meetings and in the wider community, including the media. The Chief Executive and (Interim) Deputy Chief Executive meet weekly with the Leader and Deputy Leader and also meets regularly with the group leaders (four) and the Chair and Vice Chair of Overview & Scrutiny Committee to enable discussions to take place on major and emerging issues.

All members have clearly defined roles and responsibilities and these are considered as required by an Independent Remuneration Panel which makes recommendations to the Council on the level of members' allowances.

The Corporate Management Team has been strengthened by the addition, in November 2007, of the Director of Customer Services, accompanied by the Interim Deputy Chief Executive, bringing its composition to seven, the newly established post of Director of Regeneration becoming a CMT member in May 2007, as did the post of Assistant Chief Executive, although the latter post was not filled until October. The Chief Executive, Chief Finance Officer and Monitoring Officer were members of CMT prior to the management restructure.

CMT now, from March 2007, meets on a fortnightly basis and provides strategic support and direction to the Council, its members and employees. It also considers other internal control issues, including risk management, performance management, efficiency, value for money, financial management, ethical and corporate governance.

There is a robust budget and policy framework and detailed financial and contract procedures, which are monitored by the Chief Finance Officer and Monitoring Officer. The Constitution is updated as required to reflect any changes in structure.

Teesdale, being a small local authority with limited capacity, recognises the benefits which can be gained from partnership working. It is important, therefore, that the intended benefits to be gained from partnerships are clearly defined from the onset and that all partners have clearly defined roles and responsibilities.

### **3.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The behaviour of members and officers is regulated through separate codes of conduct which have been formally approved and adopted. These codes are supported by protocols and policies which apply the principles of the codes to specific areas of Council activity, for example, Member Officer Protocol, Planning Code of Practice, Anti-Fraud and Corruption Strategy, Whistle Blowing Policy.

The Members' Code of Conduct was originally adopted in 2002, then revised in 2007. A national officers' code was proposed in the Local Government Act 2000. As this has still not been forthcoming, the Council adopted a local code, in line with best practice, in 2006.

The Council has a Standards Committee, the principal functions of which (in accordance with statutory requirements) are:

- Promoting and maintaining high standards of conduct within the District and Parish Councils
- Advising and training members on the code of conduct and related standards matters
- Undertaking investigations into alleged breaches of the code of conduct by District and Parish Council members
- Receiving and giving initial consideration to alleged breaches of the code of conduct (from May 2008)
- Reporting to Council where appropriate on any standards matter.

The Council's Standards Committee comprises independent and parish representatives as required by legislation and is chaired (also as required) by an independent representative. The principal focus for the committee over the last year has been to gain an understanding of the revised code of conduct and to prepare for the local management of complaints against members, introduced from May 2008.

Complementing the codes of conduct and supporting protocols, the Council has three statutory officers: Head of Paid Service, Chief Finance (Section 151) Officer and Monitoring Officer, whose roles are specified in legislation and within the Constitution. These officers, jointly and individually, have responsibility for ensuring that all reports and decisions comply with the budget and policy framework and are lawful. Where, in the judgment of the Section 151 Officer or Monitoring Officer, the Council has made, or may be on the point of making, a decision contrary to the budget or policy framework or the law, these officers have the power to stop the decision being implemented, pending consideration by the Council of a report, agreed by all three statutory officers. In practice, the Corporate Management Team acts as a clearing house for reports prior to their being submitted to Council or committee.

All members receive copies of all Council and committee agendas in advance. A standard item on all agendas requires members to declare any personal or prejudicial interests at the outset of the meeting. In addition, members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. Internal Audit operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

The Council has policies to safeguard itself and its staff when making decisions. Members of the Planning and Licensing Committees, in particular, need to be aware of the requirement to avoid bias or predetermination when considering applications and to take appropriate action (which may amount to withdrawal) where there are sufficient grounds for doing so.

The Anti-Fraud and Corruption Strategy and Whistle Blowing Policy provide clear reporting channels for staff particularly, but also for members, who suspect impropriety of actions or behaviours by either members or officers.

The financial management of the Council is conducted in accordance with the financial rules set out within the Constitution and detailed within the Financial Procedure Rules. The Council has designated the Chief Finance Officer as the

statutory Section 151 Officer in accordance with the provisions of the Local Government Act 1972.

The Council's overall financial arrangements are governed by the Medium Term Financial Plan and Strategy, which sets out the financial framework for the delivery of the Council's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

This is supported by robust budget setting via the Star Chamber process, established in 2005, and monitoring arrangements which require spending departments to monitor their budgets on a regular basis, making returns to the Accountancy Section, which provides support and challenge to budget holders. Financial position update reports are submitted monthly to Executive Committee, budget monitoring reports quarterly to Improvement and Performance Board, and compliance reports are submitted quarterly to Audit and Governance Committee. There are regular opportunities, therefore, for member challenge. The Executive lead member for Resources is responsible for presenting financial reports to Council.

The Council has a service planning process which dovetails with the budget setting process. Service managers are required to prepare service plans on an annual basis which set out the targets for each service, within the financial parameters set by the Council for the service.

The Council manages its borrowing and investments within the guidelines of its Treasury Management and Investment Strategy, which are approved by the Council on an annual basis. Performance against this strategy is reported annually in the Treasury Management Annual Report.

### **3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The Council's Constitution provides for transparent and accountable decision making, with provision for appropriate challenge and scrutiny.

The Overview and Scrutiny Committee has an overarching statutory responsibility to scrutinise decisions and the performance of the Council, its members and officers; holding decision makers to account and undertaking policy development and review.

Following a review of responsibility for functions and having regard to the capacity constraints on the Council, the non-executive members (24), previously all members of Overview and Scrutiny Committee, were subdivided into a new Audit and Governance Committee (6 members) and Overview and Scrutiny Committee, with 18 members, each with separate memberships and clearly defined functions.

The Audit and Governance Committee was given specific responsibility for overseeing the risk and internal control framework, overseeing the Council's financial reporting and audit processes, and responsibility for overseeing the corporate governance framework. The functions of the Overview and Scrutiny Committee were realigned to enable the committee to adopt an increased external and community focus, notwithstanding its statutory right to review or scrutinise any area of the Council's activity or community interest.

The capacity of both of these committees was increased by the addition of two co-opted members of the public with expertise or interest in the particular area.

In the second half of 2007/08, these two committees concentrated on developing their roles and this process has continued into 2008/09, Overview and Scrutiny having revised its panel structure to align with the revised corporate priorities. Audit and Governance, whilst continuing with its audit/risk role, has had to appraise itself with the new governance requirements on Councils from the 2007/08 year.

Risk management has been given an increased profile within the Council, responsibility for managing the process being allocated to the Chief Finance Officer as part of the management restructure. The Risk Management Group, which oversees the process, has also been given an increased profile, responsibility now lying with the Corporate Management Team, with member representatives from the Executive and Audit & Governance Committees providing support and challenge to the process. Each service manager is responsible for preparing and maintaining a service risk register, with CMT being responsible for maintaining the corporate risk register, which is reported quarterly to Audit & Governance Committee and Improvement & Performance Board.

Regulatory decisions are taken by the Planning and Licensing Committees, in accordance with the decision making framework set out in the Constitution. Members of these committees need to be aware of the possible conflicts which may arise during the decision making process: bias, predetermination, personal and prejudicial interests; and take appropriate action to ensure that the Council's integrity is not compromised.

### **3.5 Developing the capacity and capability of members and officers to be effective**

The Council has devoted resources to ensuring high levels of experience and expertise among its staff and achieved re-accreditation under the Investors in People standard in 2005. This is a quality framework which ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

All Council services are delivered by trained, experienced officers. Job descriptions and person specifications are prepared for all posts and are reviewed, as a minimum annually, to ensure that the best candidates are appointed into each position and that employees' development is aligned to the requirements of the post.

All Council officers receive an annual Performance Development Review at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Corporate Training Plan and/or individual service as appropriate.

The Council has a recruitment and selection policy aimed at attracting and retaining good quality staff. The Council seeks to encourage flexibility and succession planning, within the constraints of a small establishment. The reorganisation of local government in County Durham from April 2009 is presenting a challenge to maintaining this policy and retaining adequate staffing levels during this last year of the Council's existence.

Member development, within Teesdale has, historically, suffered from limited budget, induction, training and awareness raising being undertaken largely in-house or

through county or regional networks. This was highlighted as a significant weakness in the Council's 2004 Comprehensive Performance Assessment and subsequent development programmes have focused on capacity building in this area, with support from, in particular, the IDeA. Opportunities from organisations such as the North East Improvement Partnership and Audit Commission have provided another source of specific and general training for members.

Member briefings are a regular means of informing the decision making process. In addition to the regular Chief Executive/Deputy Chief Executive briefings with Leader/Deputy Leader, Group Leaders and Overview & Scrutiny Chair/Vice Chair, and the lead member/lead officer meetings, each Executive Committee is preceded by a briefing meeting for all members of the committee prior to the final agenda being issued. Also, Chairs/Vice Chairs of committees have regular meetings with the appropriate lead officers to ensure that they are kept abreast of relevant issues.

The Overview and Scrutiny Coordinating Group, comprising Chair/Vice Chair of the committee and the Panel Chairs, meets regularly to ensure that the senior committee members have an overview of the committee's work programme.

### **3.6 Engaging with local people and other stakeholders to ensure robust public accountability**

The Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of quality, efficient and cost effective services.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff. Most recently, the Council has:

- Introduced a Customer Services contact centre which aims to deal with the majority of queries and problems promptly at the initial point of contact
- Introduced a new, improved customer-friendly website
- Adopted a new communications and engagement strategy
- Established a post of PR and Communications Manager with specific responsibility to build good relations with the press and media
- Committed to sending a quarterly newsletter 'Teesdale Talks' to all residents in the District
- Launched the 'Teesdale Listens' initiative backed by the Community Improvement Fund.

All Council and committee meetings are open to the public except where exempt or confidential matters are considered. All agendas and minutes are placed on the Council's website, as are Council policies and strategies. Agendas are also available for inspection at the Council's offices and the main public library. The Council maintains a forward plan of Executive Committee business; this is published with each committee agenda and is updated monthly on the Council's website. This practice exceeds the statutory minimum requirement for cabinet decision making Councils to publish a forward plan of key decisions.

The Combined Corporate and Best Value Performance Plan is the key document which outlines the Council's vision, objectives and priorities for the year ahead, sets

performance targets and outlines the Council's accountability to stakeholders. The Corporate Plan links with the wider Local Strategic Partnership Sustainable Community Strategy, adopted this year following extensive stakeholder consultation.

The Best Value Performance Plan details the Council's post-CPA Improvement Programme 'Improving Together'. The five improvement projects were all formally concluded by the end of May 2008:

- Maximising Resources
- Equality and Diversity
- Reputation and Dialogue
- Community Leadership
- Partnership Working.

All remaining actions have been subsumed into appropriate service work programmes. The only remaining project is the recently initiated Local Government Reorganisation project which, following the March CPA inspection, has become the principal focus of the Council's activity during the remainder of 2008/09. To that end, close working relationships are now established with the County and District Councils to ensure a smooth as possible transition to the new County Durham Council.

The Council has a formal complaints procedure which allows the public and other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received. The corporate complaints procedure was updated in 2006 and has links to the Information Commissioner and the Standards Board for England, which deal with complaints regarding requests for information and complaints about member conduct respectively (in the latter case, a new system of local management of complaints against members was introduced in May 2008, the Standards Board now acts as the regulatory body for complaints against members).

The Local Strategic Partnership (Teesdale Partnership), comprising District and Parish Council representatives, other public sector organisations (Police, Primary Care Trust, Fire & Rescue), voluntary sector and private interests has adopted a higher profile during the last year. The Sustainable Community Strategy was adopted in 2008 with its four main priorities: people, environment, access, prosperity.

The 'operational' work of the LSP is carried out through a series of 'thematic' working groups: Children and Young People, Community Safety, Economy and Tourism, Environment and Transport, Health and Social Care, Housing, Leisure and Culture, Lifelong Learning; each working to an agreed work programme. The Council plays a leading role in all groups through the involvement of Executive lead members and appropriate officers. The work of the LSP is directed and overseen by a management board of which the Council Chief Executive is Vice Chair.

Teesdale, being a small District Council, is involved in a number of partnerships, the remit of each being to deliver a particular service or services to the community or a particular group. In 2007, the Council carried out a review of its partnership working and agreed a set of criteria for ensuring that the principal partnerships operated within a clear set of parameters.

## **4. REVIEW OF EFFECTIVENESS**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The key features of the Council's governance framework are summarised in this section.

### **4.1 The Council**

The key formal document governing the internal control framework for the Council is the Constitution. All delegation of decision making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, committees and officers conduct business are also set out in the Constitution and include:

- Budget and Policy Framework
- Financial and Contract Procedure Rules
- Procedure Rules for Council and Committee Meetings
- Access to Information Procedure Rules

All reports are reviewed by the Monitoring Officer to ensure they are lawful, and by the Section 151 Officer for financial and risk implications and, more generally, by the Corporate Management Team collectively, prior to inclusion on committee agendas.

The Council has approved a scheme of delegation for decision making by the Executive Committee, Regulatory Committees and by named senior officers, reserving decisions on 'Council only' functions to the full member body. Committee decisions (except for decisions made by regulatory committees) may be subject to call-in by Overview and Scrutiny Committee prior to implementation.

The Monitoring Officer (Chief Governance Officer) has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. Changes to the Constitution may only be made by the Full Council on a two thirds majority of members present and voting, after consideration of the proposal by the Executive Committee.

The Constitution was fully updated in February 2008, to include revisions occasioned by the management and committee restructuring, and the revised Members' Allowances Scheme (approved in December 2007) and re-issued to all members. A fully updated version is also available on the Council's website.

### **4.2 Overview and Scrutiny Committee**

The Council has an Overview and Scrutiny Committee comprising eighteen councillors plus two co-opted members, which has responsibility for undertaking all functions prescribed by legislation and regulations for scrutiny committees, including

policy development and review, the scrutiny of executive decisions with the power of call-in, and holding decision makers (Executive members and officers) to account.

It also undertakes reviews in accordance with its annual work programme, agreed in consultation with the Executive Committee and approved by Council. Reviews undertaken in 2007/08 have included: flyposting, rural policing, car park charging policy and, each year, the committee undertakes an overview of the budget process and reviews service plans. The work programme for 2008/09, approved by Council in August 2008, is principally focused on tackling issues highlighted within the CPA report and the Council's preparedness for local government reorganisation.

### **4.3 Standards Committee**

The Council has a Standards Committee which is scheduled to meet quarterly. It has had an independent chair since 2006/07 and terms of reference which are in line with legislation and good practice. The principal focus of the committee's work programme during 2007/08 was to gain a working knowledge of the revised (2007) Members' Code of Conduct and prepare for the implementation of the local management of complaints against members, which was implemented in May 2008.

No complaints, to date, have been referred by the Standards Board for England to the local Standards Committee for investigation. Since the introduction of the code of conduct in 2002, thirteen complaints have been submitted to the Standards Board: ten of them in 2007/08. None have been referred for investigation. From May 2008, the local Standards Committee now has the task of considering complaints and deciding whether they should be investigated. None, as yet, has been received.

### **4.4 Audit and Governance Committee**

The Council has reviewed the function of the former Audit Committee against the 2005 CIPFA: 'Audit Committees: Practical Guidance for Local Authorities' and the emerging CIPFA/SOLACE: 'New Governance Framework' in 2007 and established a new Audit and Governance Committee, independent of both executive and overview and scrutiny responsibilities, and therefore better able to undertake its principal responsibilities: reviewing the adequacy of internal control, monitoring the performance of internal audit, agreeing the internal and external audit plans, risk management and overseeing the corporate governance framework.

The committee, comprising six Council members and two co-opted members of the public, concentrated on developing its role during the latter half of 2007/08. It has adopted an increasingly proactive and challenging role towards its functions, in particular, scrutiny and progress chasing of internal audit reports, budget manager monitoring returns and membership of the re-vamped Corporate Risk Management Group, comprising the Corporate Management Team and member champions from Executive and Audit & Governance Committee.

### **4.5 Internal Audit**

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk-based audit plan is prepared annually by the Audit Manager, in consultation with the Chief Finance Officer, chief officers and the Council's external auditors, and presented to the Audit and Governance Committee. The internal audit function is undertaken in accordance with the requirements of the CIPFA: 'Code of Practice for Internal Audit in Local Government in the UK'.

The reporting process for Internal audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer; summaries of all reports, with recommendations and action plans, are also submitted to the Audit and Governance Committee.

Each audit report also includes an action plan, agreed with the relevant service manager. All action plans are reviewed periodically, according to their significance for the Council's internal control processes. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The Audit Manager reports directly to the Audit and Governance Committee at each of its meetings. This officer maintains a degree of independence from the Council's senior officer hierarchy and, generally, does not require CMT approval for his reports to members, although prior discussion will take place, where appropriate, with chief officers. The Audit Manager left the Council's employment at the end of March 2008 and specialist cover is now provided by the Audit Manager, Durham County Council.

The Audit and Governance Committee approves the Audit Plan and monitors the performance of Internal Audit and the progress against audit recommendations. Internal Audit reports annually to the Audit and Governance Committee, providing the audit opinions of all audits undertaken and an overall audit opinion. The overall audit opinion for 2007/08 is satisfactory.

Risk management, at a corporate level, was previously managed by a small officer group, supplemented by the lead member for Resources. Following the management restructure and a review of risk management within the authority, the Corporate Management Team has now assumed responsibility, with the Chief Finance Officer as lead officer and with member representatives from Executive and Audit & Governance Committees participating in risk management review meetings. The corporate risk register is now reported quarterly to both the Improvement & Performance Board and the Audit & Governance Committee. The Risk Management Group has identified a number of risks associated with local government reorganisation and these will need to be closely monitored, and action taken as necessary, in the lead up to April 2009.

#### **4.6 Other Assurance Mechanisms**

The Council, in common with all local authorities, is required to provide satisfactory assurances that all reasonable steps are taken to deliver the services required in an efficient, effective and economic manner.

The most common sources of assurance are:

- Performance Management
- Internal Audit
- External Audit
- Assurances from Managers
- Risk Management
- External Reports including Service Inspections
- Ombudsman Reports

The Council has a Performance Management Framework through which quality of service can be measured by both local and national performance indicators. Performance targets are agreed and set within service plans and monitored monthly by service managers and Corporate Management Team. Performance is also reported quarterly to the Improvement and Performance Board. Overview and Scrutiny may decide, or be asked, to undertake specific reviews on any aspect of performance.

Headline figures for Best Value Performance Indicators for 2006/07 were encouraging. 70% of indicators had either improved or were already at optimum levels and 47% were in the top quartile (38% in 2005/06). 29% were in the bottom quartile, compared to 34% in 2005/06. In 2007/08, 58% of indicators met or exceeded target, 7% almost met target, with 35% not meeting target. 35% of indicators were top quartile, with 29% bottom quartile.

The Audit Commission has recently reviewed the Council's data quality arrangements for assessing performance and determined that the overall management arrangements for ensuring the accuracy of performance indicators were adequate. The Council's commitment, the report states, to data quality is outlined in the Corporate Plan and clear data quality actions are identified to ensure the accuracy of data.

The Audit Commission also carried out its annual review of the Council's arrangements for Use of Resources. The Council was assessed at a score of 2 (out of 4): adequate performance, the same score as the previous year but, in the opinion of the Audit Commission, significant progress has been made over the last year. The weakest area (asset management) was now being addressed.

The Audit Commission carried out the first CPA inspection in 2003/04: the Council was assessed as 'Poor'. Since then, a Recovery Plan, followed by an Improvement Plan has been put in place, ongoing support being received from central government (Department for Communities and Local Government), Audit Commission and Improvement and Development Agency. Following encouraging corporate assessments and service inspections over the previous 12/18 months, the Monitoring Board recommended, in September 2007, that the Council should apply to be re-categorised. This was done and a further inspection has taken place (March 2008). The final report was published in June 2008. The Council was re-categorised as 'Fair' and has now been formally disengaged from Government monitoring.

The Council's annual report from the Local Government Ombudsman for 2007/08 showed an increase in complaints made, from 4 in 2006/07 to 8 in 2007/08. (There were 12 in 2005/06.) There were, however, no findings of maladministration against the Council (compared with 1 in 2005/06 and none in 2006/07), and no 'local settlements' compared to 1 in both of the two previous years. Average response times to the Ombudsman's initial enquiries have been high (poor) in recent years: 46 days in 2005/06 and 64 days in 2006/07. (The Ombudsman's target for Councils' response times is 28 days.) Due to a change in Ombudsman procedures, no complaint against the Council in 2007/08 has reached the stage of being classed as a 'formal' complaint, responses to initial enquiries in each case being sufficient for the Ombudsman to discontinue the investigation. The Council's average response time in 2007/08 was, therefore, 'nil' days.

## 5. SIGNIFICANT GOVERNANCE ISSUES

The work done during the year by Internal Audit and External Audit may highlight significant governance issues which need to be addressed. Other issues may emerge from other areas.

The most significant issue for the Council, and which has become the principal focus of activity in 2008/09 is the move towards the establishment of unitary local government in County Durham and the abolition of the two tier system of County and District Councils. The challenge for the Council will be to maintain its service delivery functions and statutory responsibilities, and to continue to operate to the highest governance standards, notwithstanding the significant risks involved.

The Council may suffer from loss of staff, due to increasing uncertainty over their futures, at a time when the Council is heavily involved (as it is statutorily required to do so) in the preparations for the new authority, itself a distraction from the 'day job'. Members, too, may suffer from a loss of motivation in the run-up to April 2009. There remains the need, however, for members and officers to engage fully in the reorganisation process to ensure that the interests of the Teesdale community are protected as the new service delivery and decision making structures are put in place. The Council has identified a number of risks associated with local government reorganisation and these are now given prominence in each monthly review of the corporate risk register.

The Council has, on a number of occasions during the current year, addressed the issue of local government reorganisation and its impact on the Council's existing normal service and other business responsibilities, against the possibility (now an increasing reality) of the loss of key staff, due to the career insecurities felt by employees. The Council, during February 2008, agreed that some existing commitments and expectations be discontinued or reduced in scope, to enable staff to undertake additional work related to reorganisation. This was accompanied by a number of interim staffing arrangements. This policy of re-examining priorities is regularly monitored (most recently by the Executive Committee in August 2008) and is a regular discussion item at Executive Committee briefings and at Chief Executive/Leaders' meetings.

The Statement on Internal Control, approved by Council in June 2007, highlighted a number of significant internal control issues. Although progress on all of these issues has been addressed either elsewhere within this statement or within the supporting documentation, for completeness, an update on these issues is as follows:

<b>No.</b>	<b>Issue</b>	<b>Progress</b>
1	Level 1 only has been achieved in respect of equality and diversity.	Level 2 of the Equalities Standard was achieved by March 2008. Work to embed the required standards, together with our key partners and stakeholders, will continue during 2008/09.
2	Data quality arrangements identified as weak in the 2005/06 value for money assessment.	The Audit Commission reviewed the Council's data quality arrangements for assessing performance in 2007. The arrangements were considered adequate.

3	Further development in respect of procurement is required in order to ensure that value for money is obtained.	Procurement policy revised and approved (July 2007). Awareness raising with Managers Forum. Policy reviewed by NECE: positive outcome. CPA considered procedures adequate.
4	Partnership arrangements are weak in terms of governance and performance management.	Review of partnership working has experienced delays, although work has continued during 2007/08. Focus is on implementing framework for Council's key partnerships (10 have been identified).
5	The Council has a performance management framework in place but it is not fully embedded and improvement in performance is slow.	Performance management framework more embedded. Monthly reports to DMTs, CMT, quarterly reports to Improvement and Performance Board, including updates on O&S work programme. Regular monitoring highlights need for performance improvement measures to be taken where appropriate.
6	The Council does not have up to date information in respect of asset condition and suitability, and has not assessed the level of backlog maintenance.	This remains a weakness. Support has been commissioned from Durham County Council and work will continue in 2008/09.
7	The audit committee is less effective than it could be due to its lack of independence and members' inability to specialise in this complex area.	New Audit & Governance Committee established (August 2007), with separate membership from both Executive and O&S, including two co-opted public members. Committee has been developing its role and has adopted a more proactive, challenging approach across all areas of its activity.
8	Consultation and engagement remain weak.	Following the management restructure, new initiatives have included the adoption of a new communications and engagement strategy (October 2007), improved dialogue with press and media following appointment of PR & Communications Manager, quarterly newsletter (Teesdale Talks), Teesdale Listens initiative supported by Community Improvement Fund.
9	The development of the corporate plan and priorities was late impacting on service planning, budget setting and performance management.	New Sustainable Community Strategy, developed following public consultation undertaken by the LSP, endorsed by Council (February 2008). Corporate priorities, revised in 2006/07 and reaffirmed in 2007/08, informed service plans for 2007/08 and 2008/09. Updated corporate plan for 2008/09 submitted to Council in June 2008.

The Audit Commission Annual Governance Report for 2006/07 was submitted to Council in September 2007. No significant issues were raised: an unqualified audit

opinion was issued on the 2006/07 Statement of Accounts and the Statement on Internal Control had been prepared in accordance with proper practice. The only exception item, within the Use of Resources judgment, was in respect of asset management. Two recommendations were made in respect of accounting practice, one relating to the need for consistency in supporting documents, the other relating to the need to ensure capital accounting practices were properly followed. These issues have been addressed.

The Annual Audit and Inspection Letter, prepared in March 2008, raised no significant issues, referring to a steady improvement being made by the Council, as judged by meetings of the Monitoring Board. The outcome of the Regeneration inspection was that it was a 'good' service with 'uncertain' prospects for improvement. A number of recommendations were made, principally the need for all authorities in County Durham to work in collaboration to strengthen the service. This is able to be addressed, within the appropriate workstream, to ensure optimum coordination in the lead up to local government reorganisation.

The provision of affordable housing remains a major challenge. Whilst the Council is taking what steps it can to address this through the planning system, this continues to be an issue and one which will need to be addressed by the new authority.

The Audit Commission noted that local government reorganisation was a significant risk, although the early indications were that the Council was making a positive contribution to preparations for the new authority.

The Audit Commission carried out a Strategic Housing inspection in May 2008. The outcome was that the service received a one star 'Fair' rating. It was reported that the Council's strategic approach to housing had improved significantly and its progress should provide a good foundation for the new county wide authority.

### **CPA Report: June 2008**

The Comprehensive Performance Assessment report stated that the Council had made substantial progress since the 'poor' CPA judgment of 2004 and was now categorised as 'fair'. It was now performing at least adequately in all aspects covered by the assessment, which is a significant improvement from 2004 when almost all were judged to be inadequate. Whilst there was still much to be done, the report stated, the Council was able to demonstrate clearly that lessons have been learned since 2004 and was now operating in a more strategic and coherent way. Indicators of improvement included the re-establishment of the Local Strategic Partnership, a strong commitment to transition planning for local government reorganisation, stronger corporate capacity, improved community leadership and better partnership working.

The Council has had to balance the priorities of making corporate improvements while maintaining services and meeting wider outcomes. There was now clarity about what was important for the area. Many of the internal systems needed to deliver on priorities were improving and progress was being made in organisational development and political and managerial leadership. The Council was making more effective use of its resources: the approach to procurement was good, while risk management and value for money were adequate. Performance management was leading to some service improvement.

Together with partners, the Council has put in place a number of initiatives to develop tourism and was an active partner in the work of the Barnard Castle Partnership Board which has produced the Barnard Castle Vision. The Council has had some impact on the provision of affordable housing in Teesdale and there have been significant improvements in the benefits service, which was now performing strongly.

### **Areas for Improvement**

The CPA report concluded with a number of recommended actions for the Council to consider. These are set out in the following two paragraphs.

To exercise its community leadership role effectively during the transition to a new unitary council for the county of Durham, the Council should:

- Ensure that it continues to play an appropriate role in the various work streams underway, contributing effectively to Local Government Reorganisation (LGR) and ensuring that it promotes the needs of the district and the interests of local people so that these can be reflected in the development of new local government structures and future delivery of services in the county;
- Ensure that it does not allow the demands of LGR to impact negatively on service quality during the transition period, whilst continuing to actively address areas of relatively poor performance; and
- Improve the attendance and contribution of councillors at partnership groups, keeping the profile of the district and the needs of its residents as high as possible during the period of transition.

To continue improving the way in which it functions, the Council should:

- Tackle the shortcomings of the scrutiny function, manage it more effectively and ensure that the energy of scrutiny is channelled into supporting achievement of the Council's priorities, management of performance, policy development and value for money;
- Build on recent improvements to its overall approach to promoting equality and diversity by ensuring the pace of this work continues and that all minority groups are given the opportunity to participate in setting local priorities for improvement;
- Ensure that staff concerns over strategic leadership are fully tackled; and
- Ensure that action plans are sufficiently robust so that outcomes are improved, and clear, achievable but challenging targets are met.

The Council has had regard to these recommendations as part of the monitoring and review of its prioritisation process in the transition to local government reorganisation.

### **Declaration**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**

Neil Stokell  
Chief Executive

Richard Betton  
Leader of the Council