

## **Audit Committee**

**31 July 2019**

**Annual Governance Statement for the  
year April 2018 – March 2019**

**Ordinary Decision**



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## **Report of Corporate Management Team**

**John Hewitt, Corporate Director Resources**

**Councillor Alan Napier, Deputy Leader and Portfolio Holder for  
Finance**

### **Electoral division(s) affected:**

None

### **Purpose of the Report**

- 1 To seek approval of the Annual Governance Statement (AGS) for 2018/19, attached in appendix 2.

### **Executive summary**

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts.
- 3 The AGS demonstrates how far the Council complies with the principles of good governance, and the review of effectiveness for 2018/19 concludes that the Council's corporate governance arrangements in place during the year were fit for purpose in accordance with the governance framework.
- 4 The review also concluded that nine actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2019/20.

### **Recommendation(s)**

- 5 Audit Committee is requested to approve the final AGS in appendix 2.

## Background

- 6 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts.
- 7 The Corporate Director, Resources is responsible for co-ordinating and overseeing the Council's corporate assurance arrangements and prepares the AGS to demonstrate how far the Council complies with the principles of good governance and recommending improvements, to be published in the Council's Annual Statement of Accounts. The draft AGS is included in **appendix 2**.

## Outcome of the Review of Effectiveness

- 8 The outcome of the review of effectiveness is set out in the AGS and concludes that the Council's corporate governance arrangements in place during 2018/19 were fit for purpose in accordance with the governance framework.
- 9 The review also concluded that nine actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2019/20.

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## **Appendix 1: Implications**

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### **Legal Implications**

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

### **Finance**

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

### **Consultation**

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

### **Equality and Diversity / Public Sector Equality Duty**

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

### **Human Rights**

None

### **Crime and Disorder**

None

### **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.

### **Accommodation**

None directly, although asset management is a key component of effective corporate governance.

### **Risk**

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

### **Procurement**

None

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## **Appendix 2: Annual Governance Statement 2018/19**

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### **INTRODUCTION**

1. This statement 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 (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its Local Code of Corporate Governance for the year ended 31 March 2019.

### **CONTEXT**

2. Summarised information relating to the constitution, structure, budget and services provided by Durham County Council, along with key statistical information about County Durham can be found on the [About Us](#) page on the Council's website.

### **SCOPE OF RESPONSIBILITY**

3. 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.
4. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, 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.
5. 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 and performance.
6. In May 2019, 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".

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. 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 sustainable economic, social and environmental benefits for the people of County Durham.
8. 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 occurring and the impact should they occur, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place across the Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

## THE GOVERNANCE FRAMEWORK

10. The key elements of the Council's governance arrangements are detailed in the Council's Local Code of Corporate Governance. This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the seven core principles of the CIPFA/ SOLACE Framework.
11. 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 2019.
12. 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](#). The Head of Strategy is the designated scrutiny officer to discharge the functions required under the Localism Act 2011.
13. 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 2018/19.

## REVIEW OF EFFECTIVENESS

14. 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 by comments made by the external auditors and other review agencies and inspectorates.
15. 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
16. 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 AGS 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 AGS is materially accurate.
17. The review was also informed by a statement provided by each Corporate Director 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.
18. The Chief Internal Auditor and Corporate Fraud Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which will be incorporated in the Annual Internal Audit Report to the Audit Committee in June 2019. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to give substantial or moderate assurance, except in 10 cases where limited assurance was reported. In the main, these issues related to specific areas and did not reflect weaknesses in the underlying governance arrangements.

19. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2018/19 is included in **appendix A**. An update on improvements identified in the 2017/18 Annual Governance Statement is included in **appendix B**.

## **CONCLUSION**

20. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2018/19 were fit for purpose in accordance with the governance framework. Through the review of governance arrangements, and the work of both internal and external audit, we have identified nine actions as part of ongoing improvements to further strengthen governance arrangements in 2019/20. These are shown in **appendix C**.

## **APPROVAL OF ANNUAL GOVERNANCE STATEMENT**

Signed:

Simon Henig  
Leader of Durham County Council

Terry Collins  
Chief Executive

John Hewitt  
Corporate Director, Resources

## **APPENDIX A: Governance Arrangements during 2018/19**

A full description of the Council's governance arrangements is set out in the [Local Code of Corporate Governance](#). Aligned to the seven principles of good governance, the following paragraphs provide a detailed account of how the Council's governance arrangements have operated during 2018/19.

### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

#### **Behaving with integrity**

1. The [register of gifts, interests and hospitality for members](#) is available online. Staff declarations are maintained and monitored by their Head of Service.
2. In January 2018, the Council agreed to a [members' allowance scheme for 2018/19](#), taking into account the views of the independent remuneration panel, which the Council is required by law to establish and maintain.

#### **Demonstrating strong commitment to ethical values**

3. The annual report of the [Standards Committee](#) was presented to Council in October 2018.
4. To promote a positive culture and environment in which people work, new [Code of Our Values, Behaviours and Conduct](#) have been developed, setting out responsibilities and expected standards of behaviour. Leaders and managers have undertaken awareness training and will work with other employees to put them into action.
5. A quarterly customer feedback report is presented to the Overview and Scrutiny Management Board, summarising performance in dealing with corporate and statutory complaints, and identifying actions to improve service provision.

#### **Respecting the rule of law**

6. The [Environment, Health & Consumer Protection enforcement policy](#) sets out the standards and guidance applied by officers authorised to act on behalf of the Council in its role as regulator and enforcement agency. Officers must have regard to codes of conduct, legislation and other statutory provisions, and adhere to the 'principles of good regulation' when exercising regulatory functions to improve outcomes without imposing unnecessary burdens on individuals and businesses.
7. Through the [Counter Fraud & Corruption Strategy](#), the Council is committed to a zero-tolerance approach to fraud and corruption against the Council and its partners. The Counter Fraud team vigorously pursues all reports of fraud, for example, council tax reduction scheme fraud, false insurance claims and blue badge misuse, with successful prosecutions featuring in the [news pages](#) of the Council's website. Their achievements were recognised at the Fighting Fraud and Crime Locally conference in London in March 2019 where they won the



Acknowledge Award. The award recognised their zero-tolerance approach to fraud, and the collaborative work with internal and external stakeholders under the 'Durham Partnerships', with innovative projects and promoting best practice with the use of technology, to proactively target fraud risk areas. Since 2015, the team has uncovered or intercepted over £3.5m of fraud, investigating over 1,800 cases across the authority, handling a diverse range of investigations.

## **Principle B: Ensuring openness and comprehensive stakeholder engagement**

### **Openness**

8. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence are provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure that the impact and consequences of those decisions are clear. These commitments are demonstrated by decisions made by Cabinet to approve the following reports: -
  - (a) The [Adult Social Care Residential Care Charging Policy and Deferred Payment Agreement Policy](#) for individuals who receive social care services and are assessed to determine their financial contributions towards their care costs.
  - (b) Proposed masterplan, for [Aykley Heads strategic employment site](#) (the site currently occupied by County Hall), to attract over 6,000 jobs, including setting out the implications of the decision.

### **Engaging comprehensively with institutional stakeholders**

9. The Leader of the Council is the chair of the County Durham Partnership, which is the strategic partnership covering most partnerships in County. The Council continues to engage in the North East Local Enterprise Partnership and Combined Authority, taking a regional perspective and seeking to work across broader partnerships to secure investment.
10. The Aykley Heads Redevelopment Plan is supported by a number of regional organisations including the North East Local Enterprise Partnership and North East England Chamber of Commerce, as well as Durham University. In the attached [video](#), organisations and key business leaders in the area explain why this development is important for the future of Durham.
11. Efforts are being made through collaboration on the two [NHS Sustainability and Transformation Plans \(STP\)](#), which were presented to Adults, Wellbeing and Health Overview and Scrutiny Committee in March 2017, to ensure that the benefits of health and social care integration are maximised for County Durham residents. The STPs, which form part of the five-year plan for the health service, aim to bring organisations together to develop a shared plan for better health and social care.

12. [DurhamWorks](#) is a partnership programme between the Council and 16 other organisations, working together to support young people into education, training or employment. The programme has been granted a further £12 million of EU funding and extended to 2021 having so far signed up 5,000 young people, 3,100 of those having progressed into some form of employment or training. [DurhamWorks](#) also supports local employers. Business advisors are on hand to offer tailored support and advice, including financial support to small or medium sized businesses looking to take on a young person.

### **Engaging with individual citizens and service users effectively**

13. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
14. The [Medium Term Financial Plan](#) budget consultation process engaged with partner agencies and the public on the approach to proposed savings. Views were sought on the strategic priorities for the County, to inform the new vision and corporate plan. Responses were supportive of the approach the Council is taking whilst recognising the significant challenge faced from reductions in funding and increasing demand for statutory services.
15. Public consultation exercises were undertaken during the year on a range of issues, including the County Durham Plan, the draft new vision, the Homelessness Strategy and the Digital Strategy. The full list can be found on the [2018 consultations](#) and [2019 consultations](#) pages of the website.
16. The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities. Fourteen [Area Action Partnerships \(AAPs\)](#) are fully engaged with the community in identifying and addressing local priorities, and utilising locality budgets to drive improvements to the local area.
17. The Council is continuing to build on progress in attracting inward investment and Development in the County through the new [durham powered by people](#) campaign, which engaged with a range of stakeholders across the business community to support economic growth across the county.
18. [Durham County News](#), the Council's magazine for residents is issued to every household in the County four times a year in line with the [recommended code of practice for local authority publicity](#).

### **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

#### **Defining outcomes**

19. The Council conducts a number of strategic assessments of need, which have been brought together into an [Integrated Needs Assessment](#) (INA). This brings together the evidence base and a wide range of strategic assessments to inform

strategic planning across the council and by the county's thematic partnerships. The [INA](#) provides links to data, analysis, external frameworks, local profiles, strategies and plans relevant to life in County Durham. An online data mapping site is being developed.

20. Following a significant public consultation exercise, a new draft vision document for the county is being developed for consultation during the Summer 2019, before final approval in September. A council plan and statutory plans like the Safe Durham Plan and the Joint Health and Wellbeing Strategy are being developed in parallel to our vision.

### **Sustainable economic, social and environmental benefits**

21. 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, including: -

- (a) Continued support to protect working age households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme where they will continue to be entitled to up to 100% relief against their Council Tax payments;
- (b) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide; and
- (c) Significant investment in capital expenditure in line with the council's highest priority of regeneration to protect existing jobs and create as many new jobs as possible including investing in our town centres and infrastructure, new transport schemes and maintenance of our highways and pavements.

22. In February 2019, Cabinet reviewed action by the Council and its partners to significantly reduce single-use plastics and agreed that the Council sign up to the County Durham pledge to further reduce unnecessary single-use plastics.

23. The Council was the first local authority in the North East to trial the use of waste plastics in road surfacing, this new technology being used on three schemes.

### **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

#### **Determining and planning interventions**

24. The Council ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. Two examples are the [Cabinet reports](#) in January 2019 on: -

- (a) The County Durham Plan Pre-Submission Draft; and
- (b) Durham History Centre – Next Steps.

25. A range of controls have been implemented for the Council's commercial companies and joint venture arrangements, appropriate to the specific entity, to

ensure that effective governance arrangements are established and maintained. Examples include: -

- (a) Contributing to the attainment of the company's business objectives by providing strategic and financial guidance to ensure that the company's financial commitments are met, to ensure the sound financial management and control of the Company's business, and to support future growth of the company.
- (b) Provision of a Finance Director or Chief Financial Officer.
- (c) Requiring annual reports on operations and performance to be brought to the Council, as a shareholder, through Corporate Management Team and, where considered necessary, Cabinet.
- (d) Financial management support to ensure that annual accounts are prepared and submitted appropriately with HMRC and Companies House, and that they are independently audited.

26. The [Medium Term Financial Plan 2019 - 2023 \(MTFP\)](#) was approved by the Council in February 2019. 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](#).

### **Optimising achievement of intended outcomes**

27. Assurance over the delivery of the [Council Plan](#) and the [MTFP](#) is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT) and, during the nine years up to the end of March 2019, a sum of £224m of savings has been delivered. The Council's strategy has been to protect front line services as far as possible and the 2019/20 proposals are in line with this strategy. To ensure that front line services can be protected wherever possible, the [Transformation Programme](#) seeks to ensure that all options are explored. 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.

28. To ensure that attention remains focused on Council priorities, an approach to performance management was developed that answers key performance questions rather than rely on performance indicators. [Quarterly reports](#) are concise, using a dashboard style with shorter narrative, and attention is moving towards analysing and developing insights from the performance data.

29. The [Transformation Programme](#) reports to a Transformation Board, consisting of Cabinet members and the Corporate Management Team, chaired by the Leader of the Council. It is co-ordinated through a Steering group made up of senior

officers leading on aspects of the programme and chaired by the Director of Transformation.

30. In September 2018, Cabinet approved a report, which considered the next steps in delivering the Aykley Heads Strategic Employment site to ensure the proposed 6,000 jobs are secured for the benefit of County Durham's economy. The report also proposed a strategy for the development of the site in a flexible manner, enabling a responsive approach to opportunities and changes within the marketplace.
31. In December 2018, Cabinet approved the principle of forming a regional adoption agency (RAA) comprising the areas of County Durham, Sunderland and Cumbria, and five voluntary adoption agencies in accordance with statutory requirements. The outline business case for the RAA was approved as well as a recommendation that Durham County Council should bid to become the host authority. The changes will result in fewer organisations operating at much greater scale in the recruitment of adopters.

## **Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it**

### **Developing the Council's capacity**

32. Inspiring Places, which is part of our [Transformation Programme](#), seeks to provide different types of flexible work spaces. Work areas will be paper-lite, which means digital records will replace paper records, where appropriate. Desk-based employees have access to software that allows them secure, remote access to the Council's computer systems, including from home.
33. Work is well underway to transform office accommodation at each of the Council's sites, leading to a more productive and creative workforce and reduced travelling times. Modern, open plan spaces allow more flexibility, with printers, recycling bins and stationery being centralised on each floor. New technology, such as video conferencing and mobile working, is increasingly being used.
34. The Council's Inspire Programme seeks to enable flexible working through digital and mobile technology, make our work spaces more cost effective and productive, and support collaboration between teams across the organisation. Several projects supporting these aims are either nearing completion or are well underway: -
  - (a) A reform of business support services seeks to increase the use of digital solutions to create a more consistent service, improved management information and less labour-intensive administrative processes.
  - (b) A major upgrade to the email, calendar and related systems will deliver numerous benefits, including increased storage capacity, online collaborative working, reduced paper usage and improved data security.
  - (c) A comprehensive development plan for the Resourcelink computer system sets out priorities for streamlining and digitising transactional HR and payroll processes, leading to a reduction in back office administrative tasks.

Employees have improved access to personal information, reducing the need for printing and posting documents.

(d) The Council has commenced a programme examining how we can use business intelligence technologies and invest in skills to further automate processes, make more strategic use of our data and improve our analytical capacity.

35. A review of the head of service structure was undertaken, informed by work on the [Transformation Programme](#), which identified that two crucial aspects underpin the transformation agenda: cultural change linked to organisational development and the human resources service; and our digital/customer experience strategy. These areas have a significant role to play in ensuring the foundations are in place for the Council to move forward and provide key support to the [Transformation Programme](#) and the evolution of all of the Council's services over the coming years, and ensure that the Council is equipped to take advantage of the investment made into the Apprenticeships Levy.

36. The Head of People and Talent Management leads the management and development of a responsive, modern and strategic service. This post provides effective on-going support to managers to ensure that the Council has the right people in the right place at the right time and plays a key role in supporting the Council's transformation journey and cultural development programme.

37. The Head of Digital and Customer Services plays a key role in leading the digital agenda and supporting the transformation journey, including Council wide provision and management of customer services.

38. The Head of Transformation leads the development and delivery of a comprehensive internal and external [Transformation Programme](#) as well as the cultural change programme.

39. The Overview and Scrutiny Management Board, supported by its five committees, makes decision-making processes transparent, accountable and inclusive and seeks 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](#). Members also participated in a visioning workshop to contribute to and shape the emerging vision.

### **Developing the capability of the Council's leadership and other individuals**

40. The [Transformation Programme](#) report to Cabinet in October 2017 confirmed that, following a restructure of the Corporate Management Team, a restructure of the Council's Extended Management Team (EMT) (heads of service) was completed in June 2017. The new EMT gives additional focus to the digitisation of process and ICT systems management, strengthens our capacity to lead organisational change and manage our people and gives additional focus to our work to support looked after children.

41. The Council's Apprenticeship Strategy 2019 to 2022 is being delivered through the People and Talent Management service, which is working with service managers and maintained schools to identify opportunities for new and existing employees to support workforce development and planning. By March 2019, there were 223 apprentices across a range of occupational areas and levels, and 160 employees were upskilling through an apprenticeship.
42. The Council is committed to continually reviewing the development needs of members and officers and continues to be a member of the North East Public Service Academy, which promotes excellence in learning across the public sector.
43. Employees' needs, in terms of training, development, health and wellbeing, are delivered through the Organisational Development Strategy and the Health, Safety and Wellbeing Strategy. The Council continues to support employees through the change process with, for example, Jobcentre Plus information sessions and confidential counselling services through the Employee Assistance Programme. An intranet page has been specifically created for employees in relation to mental health and wellbeing and provides support and guidance for managers and non-management employees.
44. In consultation with leaders, managers and several employee focus groups, a Valuing Employees Framework has been developed for consideration and approval by CMT in April 2019. It will be communicated to all employees and aims to enhance the supportive working culture with the introduction of engagement and recognition initiatives, including long service awards.
45. The Council successfully achieved the bronze and silver National Better Health at Work award for its work on improving employee health and wellbeing, including awareness training for managers and training for approximately 160 mental health first aiders.
46. The Inspiring People Awards (formerly Great Staff, Great Stuff) reflect the aspirations of our Inspire [Transformation Programme](#). The scheme culminates in a celebration of the very best of our employees, teams and projects – those who are making a massive difference to residents and communities or who are delivering innovative projects and solutions to help both the council and our customers.

## **Principle F: Managing risks and performance through robust internal control and strong public financial management**

### **Managing risk**

47. Risk management continues to be embedded in decision making and key business processes and the Risk Management Policy and Strategy, which defines key roles and responsibilities and is reviewed annually, underpins this. The Audit Committee has gained assurance that the Council's strategic risks are being effectively managed through reports issued in [July 2018](#), [November 2018](#) and [February 2019](#). In September 2018, the Council received a [report from the](#)

[Chairman of the Audit Committee](#) on its work between September 2017 and August 2018, and how the Committee continues to provide for good governance across the Council.

48. The Council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. The arrangements for managing the risk of such events are explained, and a copy of the latest Community Risk Register can be found, on the [Local Resilience Forum](#) web page. One of the intended outcomes of the Council's [Transformation Programme](#) is to help make communities become more self-reliant and resilient, so the Council's website includes advice for [business and care services on planning for emergency situations](#).
49. The referendum result in June 2016, in which the United Kingdom (UK) voted to leave the European Union (EU), created national uncertainty for the economy, safety and welfare and was compounded by protracted negotiations to secure a withdrawal agreement. An EU Exit Working Task & Finish Group was established, chaired by the Director of Transformation and Partnerships with representatives from all service groupings, reporting to Corporate Management Team. Taking account of a range of guidance from the government and professional bodies, the Group worked with key partners including the Local Resilience Forum, as well as key suppliers and service providers, to identify and minimise the impacts on council services and service users.
50. Several challenges and uncertainties lie ahead, and these are being monitored through the Council's strategic risk management reporting arrangements: -
  - (a) The financial outlook for the council and the whole of local government remains extremely challenging.
  - (b) The implications of the UK leaving the European Union, including the position of EU citizens living in the UK and UK nationals living in the EU.
  - (c) Capacity issues caused by nationwide hard-to-recruit posts in children's social care.
  - (d) Funding pressures in adult social care.

## **Managing performance**

51. The [County Durham Partnership](#), which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners, driven forward by thematic partnerships set around the five priority themes. Its' role includes monitoring performance towards implementing the [Sustainable Community Strategy](#) (SCS), and considering strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning.
52. 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](#) and



through performance clinics between the Chief Executive, individual Corporate Directors and the Director of Transformation and Partnerships during the year.

53. To manage and measure service improvement, the Council has a locally led planning and performance management framework that links to the [SCS](#) and the [Council Plan](#).
54. The Quality Improvement Board is chaired by the Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality.
55. 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. An update on activity from the Panel is presented to each meeting of the Council's [Safer and Stronger Communities Overview and Scrutiny Committee](#).

### **Robust internal control**

56. Risk management and internal control are acknowledged as integral parts of the Council's performance management framework and crucial to the achievement of objectives. To reflect this, internal audit continuously reviews risks with reference to strategic objectives, and a register of strategic risks is compiled linking each item to the relevant strategic objective. Internal audit progress updates were provided to Audit Committee in [June](#), [September](#) and [November 2018](#), and in [February 2019](#).
57. Updated versions of the [Counter Fraud & Corruption Strategy and Fraud Response Plan](#), and the [Anti-Money Laundering Policy](#) were presented to Audit Committee in June and July 2018.

### **Managing data**

58. The designated Senior Information Risk Officer is the Director Transformation and Partnerships, and the designated Data Protection Officer is the Strategic Manager, Executive Support. The council has an Information Governance Group, with representatives from all services, which meets regularly and formulates regulatory responses to the Information Commissioner's Office and handles day-to-day management issues around information governance. A cross-service working group of around 20 officers managed the introduction of the General Data Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018.

### **Strong public financial management**

59. The Council has appointed the Corporate Director Resources as Chief Financial Officer and Section 151 Officer (Local Government Act 1972) to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Financial Officer, who is

a member of the Corporate Management Team (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.

60. In February 2019, an update was given to Audit Committee on the Council's [accounting policies](#) to be applied in the preparation of the 2018/19 Statement of Accounts. The following reports provide assurance that the Council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance: -

- (a) [Treasury Management Outturn 2018/19](#)
- (b) [Final Outturn for the General Fund and Collection Fund 2018/19](#)
- (c) [Update on the delivery of Medium Term Financial Plan 7](#)
- (d) [Update on the delivery of the Medium Term Financial Plan 8](#)
- (e) [Report under Section 25 of Local Government Act 2003 - Reserves](#)

### **Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

#### **Implementing good practice in transparency**

61. The Council is committed to being open and transparent about how it works and how decisions are made. In line with the Local Government Transparency Code, information is published on a [transparency and accountability web page](#) about how money is spent, how services are purchased, land and assets owned, structures and salaries, and fraud. As required by law, the sum paid to each county councillor is also published. The Council has also been publishing open datasets through the Data Mill North website.

62. Reports about complaints against members are included in part A of the Standards Committee agenda rather than part B (consideration of exempt or confidential information).

#### **Implementing good practices in reporting**

63. The [Local Code of Corporate Governance](#) was reviewed and updated in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, before being approved by Audit Committee and [the County Council](#).

64. The [Statement of Accounts 2017/18](#), incorporating the Annual Governance Statement, was approved by the Audit Committee in July 2018, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2015. External Audit also provides an independent opinion on whether the Annual Governance Statement is materially accurate.

65. The Council's commitment to regular reporting to stakeholders on performance, value for money and stewardship of resources is evidenced throughout this statement. Other examples include: -

- (a) [Annual report of the Director of Public Health 2018](#)

- (b) [Health and Wellbeing Board and Local Safeguarding Adults Board Annual Report 2017/18](#)
- (c) [Children and Young People's Services Annual Reports and Plans](#)

### **Assurance and effective accountability**

66. A [review of the effectiveness of Internal Audit](#), incorporating the Internal Audit Service and the Audit Committee, has been undertaken and was reported to the Audit Committee in June 2019. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor and Corporate Fraud Manager to be relied upon.
67. Revised versions of the [Internal Audit Strategy, Charter and Plan for 2019/20](#) were approved by Audit Committee in May 2019.
68. 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: -
- (a) [External Audit Annual Letter 2017/18](#)
  - (b) [External Audit, Audit Completion Report Year Ended 31 March 2018](#)
  - (c) [External Audit, Audit Strategy Memorandum, February 2019](#)

## **APPENDIX B: Update on improvements identified in the 2017/18 Annual Governance Statement**

Following the production of the Annual Governance Statement for 2017/18, eight improvement actions were identified for 2018/19.

<b>No.</b>	<b>Actions to be taken</b>	<b>Lead Officer</b>	<b>Update</b>
1	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework (brought forward).	Corporate Director, Regeneration and Local Services	Status: Ongoing, carried forward. The implementation of the action plan is progressing in an effective and timely manner in accordance with the timescales set out in the adopted Local Development Scheme. The next stage will be Submission of the Plan for examination by an independent inspector, which is on track for June 2019.
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (paragraph 22 & 23 – defining outcomes).	Head of Strategy	Status: Ongoing, carried forward. Following a significant public consultation exercise, a new draft vision document for the county is being developed for consultation during the Summer 2019, before final approval in September. A council plan and statutory plans like the Safe Durham Plan and the Joint Health and Wellbeing Strategy are being developed in parallel to our vision.
3	Develop a corporate approach to the Prevention agenda to have a greater impact on health, education, employment, and work with children and young people (paragraph 34).	Head of Partnerships and Community Engagement	Status: Complete. The Prevention Steering Group meets bi-monthly and its work is based around four key themes. The Mental Health Strategic Partnership Board action plan also incorporates much of the prevention agenda related to mental health.
4	Review the Council's asset management arrangements with a view to adopting the Corporate Landlord model, which is seen as best practice in local government (paragraphs 35 & 36 – developing the Council's capacity through asset management).	Head of Planning and Assets	Status: Complete. Agreement as to the nature of the Corporate Landlord model for Durham has now been reached with CMT and members. Full Council have agreed the appointment of a new Head of Service to take forward the new Corporate Property and Land Service. Recruitment is due to complete by the end of March with implementation of the new service due to start once a Head of Service is in place.

No.	Actions to be taken	Lead Officer	Update
5	Establish a combined and integrated management board with direct service delivery of NHS community and adult social care services being overseen by a Chief Officer on behalf of all partners (paragraphs 10, 53 to 55 – managing performance).	Director of Public Health & Head of Adult Care	Status: Complete. The County Durham Integrated Care Board meets regularly and is a well-established group.
6	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective (paragraph 58 - robust internal control).	Corporate Director, Resources	Status: Complete. Quarterly reports are presented to individual senior management teams and to Corporate Management Team. Compliance is monitored weekly (performance and chase up auto-approved expenditure, which has reduced as a consequence).
7	Ensure data protection changes including GDPR compliance are implemented (paragraph 59).	Head of Communications and Information Management	Status: Complete A cross-service working group of around 20 officers managed the introduction of the General Data Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018.
8	MTFP and Financial Strategy Group for Education will monitor progress on the implementation of the strategic review of educational provision to ensure that the intended outcomes are achieved (paragraph 7b).	Corporate Director, Children and Young People Services	Status; Ongoing, carried forward. The analysis of educational provision across the county was substantially complete by March 2019. A range of services, including Finance, Communications, Partnerships & Community Engagement, HR and Legal, supported and influenced the process. Several actions that feature in the strategic review are already in hand, with progress monitored by senior officers. Implementation of the remaining actions will be monitored by the MTFP and Financial Strategy Group for Education during 2019/20.

## **APPENDIX C: Proposed Governance Improvements required during 2019/20**

As a result of the review of governance arrangements, and the work of both internal and external audit, nine improvement actions have been identified to further strengthen governance arrangements in 2019/20. These are shown in the table below.

<b>No.</b>	<b>Actions to be taken</b>	<b>Links to the Local Code of Corporate Governance (ref)</b>	<b>Lead Officer</b>	<b>Timescale</b>
1	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework (brought forward).	Ensuring that members and staff demonstrate a strong commitment to the rule of the law and adhering to relevant laws and regulations. Ensuring fulfilment of responsibilities in accordance with legislative and regulatory requirements (4.14).	Corporate Director, Regeneration and Local Services	March 2020
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (brought forward).	Defining outcomes in terms of sustainable economic, social, and environmental benefits (4.26 – 4.29).	Head of Strategy	October 2019
3	MTFP and Financial Strategy Group for Education will monitor progress on the implementation of the strategic review of educational provision to ensure that the intended outcomes are achieved (brought forward).	Optimising the achievement of intended outcomes with robust mechanisms for making decisions, which are reviewed continually (4.34).	Corporate Director, Children and Young People Services	March 2020
4	Develop revised Children's Performance Management Framework.	Ensuring that service delivery is effectively monitored (4.52).	Head of Strategy/ Strategic Manager Safeguarding Professional Practice (CYPS)	June 2019
5	Implement and embed the new Corporate Property and Land Service, as approved by CMT and members, adopting the corporate landlord model.	Developing the Council's capacity through effective use of assets and improving the use of resources (4.37 – 4.38).	Head of Planning and Assets (ReaL)	March 2020

6	Prepare evidence base around major economic challenges that will influence the NE Local Industrial Strategy with a view to supporting the implementation of corporate priorities and the development of County Durham Industrial Strategy.	Decision makers receive objective and rigorous analysis of options, outcomes and risks, to secure best value (4.32).	Business Durham (Real)	March 2020
7	Undertake a review of governance arrangements of the County Durham Partnership.	Engaging effectively with institutional stakeholders and developing formal and informal partnerships (4.21).	Head of Partnerships and Community Engagement	December 2019
8	Review High Needs Special Educational Needs Provision (HN SEND), including development of a HN SEND Sustainability Plan, to bring this expenditure within Dedicated Schools Grant funding levels.	Improving the use of its resources to ensure that they are allocated in a way that realises outcomes effectively and efficiently (4.38)	Head of Education and Skills	March 2020
9	Review the arrangements in place to ensure the Council is discharging its sufficiency duty in relation to Looked After Children and responding to gaps in provision.	Ensuring that members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations (4.14).	Corporate Director, Children and Young People Services	April 2020

