

Audit Committee

28 June 2012

**Draft Annual Governance Statement for
the year April 2011 – March 2012**



Report of Don McLure, Corporate Director, Resources

Purpose of the Report

1. This report seeks approval of the draft Annual Governance Statement (AGS), attached in Appendix 2, and the list of significant governance improvements attached in Appendix 3.

Background

2. 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. 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'. The AGS explains how the Council complies with this code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a Statement on Internal Control.

Presentation of the AGS

4. In order to prepare the AGS each year, 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.
5. In preparing the AGS, those charged with governance must seek adequate assurance that its corporate governance arrangements are effective and identify any significant areas of improvement. The Corporate Director, Resources co-ordinates and oversees 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. Progress is monitored and corrective action taken where needed each quarter against the action plan of governance improvements.

6. In gathering the evidence to prepare the AGS, the following approach has been adopted:

6.1 Consideration of corporate sources of assurance

- Progress made on improvements identified as part of the previous years AGS;
- The identification of key documents, processes and procedures that support the governance framework, many of which may have been revised during the year. This information has been gathered from across the Council, and is recorded in detail;
- The work of those officers who have specific responsibility for the development and maintenance of the governance framework. Key officers confirmed any changes in the governance arrangements since the last review;
- External Audit Annual Report;
- The work of Internal Audit, including the annual opinion on the adequacy of internal control by the Manager of Internal Audit & Risk as set out in the Annual Internal Audit report;
- Current strategic risk registers;
- The review of the effectiveness of the system of Internal Audit;
- Partnership governance arrangements;
- Other work undertaken by the External Auditor, the Audit Commission and other review agencies.

6.2 Service assurance on the effectiveness of the governance framework

Corporate Directors and the Assistant Chief Executive completed an assurance statement, which noted any changes implemented during the 2011/ 12 year, and to identify any improvements required/ planned.

Recommendations and reasons

7. Audit Committee to:

- approve the draft AGS for 2011/ 12 attached in Appendix 2;
- approve the list of significant governance improvements in Appendix 3;
- confirm that this report can proceed for information to full Council.

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Appendix 1: Implications

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

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

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

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

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

Crime and Disorder – None.

Human Rights - None.

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

Procurement – None.

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

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

Appendix 2: Draft Annual Governance Statement 2011/ 12

1. SCOPE OF RESPONSIBILITY

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.

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.

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.

The Council has approved, adopted and published on its website, a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services for the people of County Durham.

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 2012 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are detailed in the Council's local Code of Corporate Governance, which is documented in the Council's [Constitution](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the six core principles of the CIPFA/ SOLACE Framework. 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 2011/12.

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

The [Sustainable Community Strategy 2010-30](#) (SCS) which has been produced by the Council in conjunction with its partners on the County Durham Partnership (CDP), demonstrates its shared long-term vision for the future of County Durham. This vision for County Durham, namely 'Altogether Better Durham' outlines two areas of focus – **Altogether Better Place** and **Altogether Better for People** and five priority themes, which represent the major issues identified by residents:

- Altogether wealthier;
- Altogether better for children and young people;
- Altogether healthier;
- Altogether greener;
- Altogether safer.

The SCS is renewed every three years and this work provides input into the Council Plan and various strategic planning work such as the Joint Strategic Needs Assessment.

The CDP, which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners, and is underpinned by thematic partnerships set around the five priority themes. Operationally, it is supported by the Delivery Implementation Group (DIG), whose role is to monitor performance towards implementing the SCS, and consider strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning.

The [Council Plan](#) contains the Council's corporate priorities and the key actions to take in support of delivering the longer term goals in the SCS and the Council's own improvement agenda. The Council Plan is supported by a series of Service Plans at a Service Grouping level which details the planned actions to deliver the Council's vision. Plans developed in partnership are also in place to deliver the goals of the SCS. For example, during the year, the thematic partnership for 'Altogether Better for Children and Young People' revised the Children, Young People's and Families Plan for 2012-2016.

The Council Plan and the [Medium Term Financial Plan 2012 - 16](#) (MTFP2) enable the Council to make best use of resources, and enable the continued provision of value for money (VFM) services that meet the needs of residents, businesses and other stakeholders. To provide assurance on its VFM in 2011/12, the Council used profiles based on the Audit Commission's VFM profiles. Independent assurance of

our VFM was also gained from the Audit Commission, who issued an unqualified VFM conclusion in October 2011. To enable better use of resources, we have further strengthened our governance arrangements by:

- Implementing a single asset register;
- Developing Asset Management plans;
- Reviewing the Capital Prioritisation process through Corporate Management Team and the Member Officer Working Group;
- Unitising both the Finance function and Human Resources function across the Council.

To measure the quality of services, the Council has a locally led performance management framework. In 2011, Cabinet agreed a new approach, the 'Future of performance management, efficiency and improvement in Durham', following abolition of the national local government performance framework. Detailed [reports](#) on the Council's performance have been provided to Cabinet on a quarterly basis, and assurance is also gained through performance clinics between the Chief Executive and individual Directors during the year. Through good governance, the Council continues to improve the quality of services, and this has been confirmed by external independent sources of assurance. For example, during 2011/12, in Children and Young People's Services, the conclusions of a number of independent external assessments were that:

- Ofsted rated County Durham's Children's Services as 'outstanding' following inspection of safeguarding and services for Looked After Children;
- A positive result of the unannounced inspection of contact, referral and assessment was achieved with no areas identified for priority action;
- All Children's Homes are judged good or better;
- The outcome of the last four fostering inspections and the last two adoption service inspections received an 'outstanding' grading;
- Aycliffe Centre for children was rated outstanding;
- Overall 4 star rating for the Adoption Service.

A comprehensive schedule of Savings targets have been programmed which are designed to achieve the necessary savings to enable us to deliver a balanced budget and MTFP. To ensure the effective delivery of its objectives and efficiency savings, the Council has also undertaken a series of Extended Management Team meetings consisting of the Chief Executive, Directors and Heads of Service with a programme of activity linked to the strategic management of the Council. Assurance over the delivery of this programme is gained by detailed and frequent monitoring undertaken by CMT and Cabinet and the target savings of £66m for 2011/12 have been delivered.

Members have robustly scrutinised the performance of the Council, demonstrated by a number of key scrutiny reviews of Council services during 2011-12, which are outlined in the [Overview and Scrutiny Annual Report](#).

The Council considers the governance implications of its actions, and revised its Code of Corporate Governance in March 2012 to ensure that it remains consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

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

The key document describing the roles and responsibilities of Member and Senior Officer posts and functions is the Council [Constitution](#).

Members and Officers work together on the workload of the Cabinet which is managed through a system of Cabinet pre-agenda meetings. To support this, Corporate Directors have held regular briefing sessions with Cabinet Portfolio Members and their support Members. For example, a number of informal sessions took place throughout the MTFP planning process to ensure CMT and Cabinet have a shared understanding of the complexities in the MTFP process, and all Opposition parties were briefed during the development of the MTFP.

The Council has appointed the Corporate Director, Resources as Chief Financial Officer (CFO) and Section 151 Officer to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The CFO, who is a member of the Corporate Management Team and reports directly to the Chief Executive, has been involved in all Corporate Management Team discussions, and has reviewed all reports to Cabinet which have financial implications. The CFO has also provided an opinion under section 25 of the Local Government Act 2003 on the reserves for the County Council, which Members considered when setting the budget.

Member remuneration is overseen by an independent panel, and their report was approved by Council on in February 2012.

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

The key elements of the Council's approach to communicating and embedding the expected standards of behaviour for Members and staff are detailed in the Council [Constitution](#). The Council's Codes of Conduct included in the Constitution also apply to its partnership working.

The Standards Committee has the key governance role of promoting and monitoring high standards of conduct by elected members, independent members and co-opted members. The [Standards Committee Annual Report](#) was presented to the Full Council in October 2011, outlining its business which includes details of Member conduct complaints and Local Government Ombudsman investigations.

The ethical framework will be reviewed during 2012/13 to confirm that it meets the requirements of the Localism Bill, due to be enacted on 31 July 2012, and as part of this work, the Council will demonstrate that the ethical agenda is being developed with the public and other stakeholders, rather than being inward-facing. Where appropriate, however, we have still reviewed key governance documents to ensure our values are followed in practice, such as the Council's Policy Framework Procedure Rules which were updated in May 2011. In terms of disclosure of gifts, hospitality and interests, assurance is gained over Member declarations and registrations by the Monitoring Officer maintaining and monitoring the Register of Gifts, Interests and Hospitality for Members, which is available online. Staff declarations are maintained and monitored by their Head of Service.

A climate of openness has been encouraged by the Council Leader who holds regular Cabinet meetings at various locations throughout County Durham. The values of the Council are further promoted in the Single Equality Scheme which includes 'protected characteristics' covered by the Equality Act. Supporting this scheme is an impact assessments process, which ensures that the impact on equality is considered in the Council's decision making. For example, in 2011/12, the MTFP was fully equality impact assessed. Our commitment is further demonstrated by equality impact assessment training, attended by 174 people during the year.

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

The Council's [Constitution](#) sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to local people. This includes the Officer Scheme of Delegation, which is reviewed annually in line with the review of the Constitution. A revised Constitution was approved by the full Council in May 2011, having been reviewed by an all-party group, namely the Constitution Working Group. Key changes to the Constitution in 2011/ 12 were:

- Amending the Scheme of Delegation to align it with changes in responsibilities;
- A Civic Protocol and Order of Precedence guidance document for event organisers where civic dignitaries would be invited to attend;
- Inclusion of the revised Code of Practice for Members and Officers in dealing with planning matters;
- Incorporation of the revised Local Code of Corporate Governance, following completion of the Annual Governance Statement for 2010/11;
- Extending the remit of the Corporate Issues Overview and Scrutiny Committee to include the oversight role of RIPA.

Overview and Scrutiny, which consists of an Overview and Scrutiny Management Board and six committees, has the key role to make decision-making processes transparent, accountable and inclusive and to improve services for people by being responsive to their needs. To maintain independent assurance, the Council refreshed co-opted members to the Council's Overview and Scrutiny Committees in March 2012. Where appropriate, Members have scrutinised the decisions of the Council, demonstrated by a number of key scrutiny reviews which are outlined in the [Overview and Scrutiny Annual Report](#)

To maintain the accountability and integrity of the Council's decision-making, a number of further improvements to governance in this area have been implemented in 2011/ 12, notably:

- The Data Protection Policy, which includes a Data Breach procedure;
- The development of Records Retention schedules for all service areas;
- Assurance provided by an independent third party that the Council has complied with the Code of Connection under the Government Connect programme;
- The revised Contract Procedure Rules, which are the Council's rules on how a contract must be let. The involvement of the corporate procurement team on all procurements provides assurance that the Rules are being complied with;
- The Corporate Strategy for Commissioning and Procurement, which includes the supplier engagement strategy reviewed by local enterprise agencies;
- The Civica Fraud Management Software.

The Council has ensured that it complies with legal requirements in its decision making by ensuring that all reports requiring a decision include the legal implications, report authors confirming that they have obtained legal advice on proposals contained in reports, and the source of that legal advice.

The Council operates a risk management approach that supports its decision making processes. This is underpinned by a risk management strategy and policy, which was reviewed in January 2012, and is overseen by the Corporate Risk Management Group, which met four times during the year. Each key decision made by the Council has been supported by a risk assessment, and in addition, each efficiency proposal underpinning the MTFP was risk assessed. Strategic risks were reviewed throughout the year.

The Council has an Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes. The committee met eight times in 2011/ 12.

The key mechanisms provided for the public to raise concerns about potential breaches of conduct are:

- the Confidential Reporting Code (Whistle blowing policy), which is part of the Council's Constitution, and is monitored by the Audit Committee;
- the Council's complaints procedures, which are monitored by the Standards Committee, whose remit includes Member conduct complaints, Local Government Ombudsman investigations and complaints handling by Services. [Reports](#) on complaints have been provided quarterly to the Committee.

The arrangements for counter-fraud of benefits will change during 2012/13 as a result of the central government proposal to bring benefits and tax credit fraud investigations under a Single Fraud Investigation Service, administered by the Department for Works and Pensions.

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

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

Our approach to Member development is outlined in the Member Learning and Development Strategy, which was reviewed in 2011 to reflect the extension of responsibilities of the Member Development and Support Group, who oversee the implementation of the strategy. Assurance on the effectiveness of our approach to Member development is demonstrated by the Council being awarded the North East Charter on Member Development in May 2011.

To support employees through the major restructuring process associated with the MTFP outcomes, an Employee Support Programme is in place. A number of key governance improvements around officer capability have also been delivered during the year, namely:

- Implementing the Homeworking policy;
- Reviewing the Disciplinary policy in consultation with the Trade Unions;
- Undertaking an interim review of the Officer appraisal process;
- Reviewing the Recruitment and Selection Policy.

Assurance on the effectiveness of our approach to Officer development is demonstrated by the Council maintaining the Investor in People Standard.

Additional independent assurance over the Council's recruitment and selection procedures was provided by the post-registration visit in May 2011 of the UK Border Agency, who reported 'full compliance' for our systems and procedures for monitoring the employment of foreign nationals who require the right to work in the UK, and this is reflected in the CRB Disclosure Policy.

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

As the strategic partnership for the County, the CDP is the lead umbrella partnership for most other partnerships in County Durham, and the Leader of the Council is the chair of the CDP. The Council's relationships with partners are managed through the Partnership Governance Framework, which was updated in 2011.

The Council's approach to engaging stakeholders is outlined in the Consultation and Engagement Strategy. This is complemented by the County Durham Partnership Community Engagement and Empowerment framework, which has shaped and supported a common vision and approach for community engagement by partners in County Durham, and the County Durham Compact, which provides a framework for partnership and engagement with the voluntary and community sector. Key examples of, and improvements in, our engagement with stakeholders during the year include:

- Stakeholders being involved in the development of the MTFP, demonstrated by undertaking a detailed consultation process which can be found in the County Council's MTFP and Budget Report. The 2012/13 budget decisions have taken the results of this consultation into account especially in relation to the areas of the budget to protect and those areas where a greater level of saving is expected;
- Extensive consultation with service users and families/parents around planning activity, such as the CYPFP annual review workshops;
- The new Staff Recognition scheme launched in 2011;
- Raising awareness of Members, Officers and key Partners in respect of the Councillor Call for Action process;
- The development of an appeals mechanism to ensure that the Council has a robust mechanism in place for Petitions, and that petitioners have an opportunity to challenge Council inaction regarding a particular petition issue;
- Further improving the Council's website to achieve a SOCITIM 3 star rating, and expanding the use of social media;
- Corporate Directors holding regular briefing sessions with Members, and holding regular staff roadshows to keep staff up to date with priorities and plans for change;
- Commencing a programme of Community Governance reviews.

The Council has a strong commitment to working with partners to meet the needs of its communities. There are 14 Area Action Partnerships (AAP) in place across the County, who are each governed by a board comprising members of the public, partner organisations and elected Councillors. These are multi-agency partnerships who are fully engaged with the community in identifying and resolving local priorities, and utilise locality budgets to drive improvements to service quality. 105 people attended the inaugural Countywide AAP meeting in 2011.

Assurance over the effectiveness of the AAPs was provided by an Overview and Scrutiny report, presented to Cabinet in September 2011, which concluded that AAPs were fit for purpose, as the governance arrangements were shown to be an extremely robust mechanism for ensuring the Council works with local communities and key partners to make sure local services meet local needs. Furthermore, AAPs were also commended in a national award scheme, and a high quality pilot approach

used as part of the participatory budgeting process was highlighted nationally to be one of the best in the country.

4 REVIEW OF EFFECTIVENESS

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 Manager of Internal Audit and Risk, and also by comments made by the external auditors and other review agencies and inspectorates.

The process for maintaining and reviewing the effectiveness of the corporate governance framework involves the key Member and Officer functions outlined below, namely:

- The Executive;
- Chief Financial Officer;
- Monitoring Officer;
- Overview and Scrutiny Committee;
- Standards Committee;
- Audit Committee.

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

- The Corporate Director, Resources co-ordinates and oversees the Council's corporate assurance arrangements by:
 - Preparing and maintaining the Council's Code of Corporate Governance as a formal framework for the Council's governance arrangements;
 - Reviewing the systems, processes and documentation to determine whether they meet the requirements of this Code, reporting any breaches and recommending improvements;
 - Preparing an Annual Governance Statement to demonstrate how far the Council complies with the principles of good governance and recommending improvements.
- Internal and External Audit provide independent assurance on the effectiveness of the corporate governance framework.

The review was also informed by a statement provided by each Corporate Director and the Assistant Chief Executive commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.

Based on internal audit work undertaken during 2011/12, the Manager of Internal Audit and Risk has issued a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2011/12. This moderate opinion ranking provides assurance that there is basically a sound system of control in place across the Council, but there are some weak areas and some evidence of non-compliance that are being corrected and improvements put in

place. Control objectives are often achieved but improvements need to be made in our strive for excellence.

Significant issues arising from the review of the effectiveness, where improvements are needed, are outlined in section 5 below. These will be included in an action plan and will be regularly reviewed and monitored.

5 SIGNIFICANT GOVERNANCE ISSUES

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

Following the production of the Annual Governance Statement (AGS) for 2010/11, an action plan, containing the following recommendations was produced. Progress made in implementing each recommendation, as outlined below, was confirmed by the Corporate Director, Resources and formed the starting point of the work to produce the 2011/12 AGS.

1. Continue the positive direction of travel by implementing the planned control improvements to financial systems.

A number of key actions to address the financial systems weaknesses have been incorporated into the Resources Service Improvement Plan. Operational processes are much more effective. Bank reconciliation work is up to date and the Oracle system is much more reliable such that user confidence in the system is much improved.

2. Pay Harmonisation and Single Status.

A project is in place to develop and implement a pay structure for the Council and resolve outstanding pay harmonisation and single status issues, which have been complex given the implications of TUPE following Local Government Reorganisation. During 2011/12, the target date was revised to December 2012, and we are on target to implement this action by that date.

3. Implement an Information Management and Governance Strategy

A staged approach is being taken to developing the Council's information management and governance arrangements focusing on 3 main areas: records management, data protection, and access to information. A new Data Protection Policy and Data Breach procedures were agreed by Cabinet in May 2011 and awareness raising has taken place with all Heads of Service and Tier 4 managers, and has been rolled out to all staff. Key elements still to be developed are a formal procedure for dealing with access to information requests, including freedom of information and environmental information, and a long term records management strategy for the Council. This is no longer considered a significant area for governance improvement.

4. Implement revised Financial Management Standards.

The Council is developing Financial Management Standards to supplement the very high level roles and responsibilities defined in the financial procedures rules contained in the Constitution. Financial management standards set out in more detail how the procedure rules will be implemented to help embed sound financial management across the Council. Most of the work to implement these standards is complete, but finalisation requires the input of a number of finance staff who are currently focused on producing the annual accounts.

5. Business Continuity.

To develop a robust ICT architecture with as few single points of failure as possible and replication of key systems, a business continuity specification and options for delivery are being developed by the Head of ICT.

6. Changing Government Policy on the Ethical Framework.

Following the abolition of the current Standards regime, the Council will review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council. Supporting this, advice and guidance will be provided to Members and Officers on the new ethical structure. Progress has been delayed due to the late changes to the Localism Bill, such as clarification on the production of a recommended code from LGA and the regulations on interests. An initial report agreeing the establishment of a new Standards Committee was presented to full Council on the 21st March 2012.

7. Improve accessibility to key policies.

A single searchable database of all current strategies, policies and procedures has been developed as part of the Council's new intranet which was launched in April 2012. To complement traditional briefings and communications on strategies and policies, online e-learning packages have been developed and introduced for key policies such as data protection. This action is now complete.

8. Performance Management of Integrated Teams.

The Children's Trust intends to transform services for children and young people by developing services in local communities, for local communities. To support this, a Performance Management Framework for Integrated teams has been implemented, and this action is now complete.

9. Succession Planning.

Effective succession planning for the future is a long-term goal, but the Redeployment Policy is the key policy in place to match the "at risk" employee skills with the changing demands of the Council during this period of significant change. This action is now complete.

The Corporate Director, Resources also sought assurance on the effectiveness of the Council's governance arrangements from each of the Council's Corporate Directors and the Assistant Chief Executive. As a result of this exercise, and the work of both Internal and External Audit, a number of issues have been identified where improvement in the Council's governance arrangements are required. The most significant issues, agreed by the Corporate Management Team (CMT) at its

meeting on 20 June 2012, and as reported to the Audit Committee on 28 June 2012, together with a summary of action taken or being taken to address each issue, are detailed below. These issues have all been carried forward from the Annual Governance Statement for 2010/ 11, as target dates were revised either due to external pressures, or where, although progress has been made, it was always envisaged that the actions would not be fully completed by March 2012. No new significant issues were identified as a result of our annual effectiveness review.

1. Continue the positive direction of travel by implementing the planned control improvements to financial systems.

The actions to address the financial systems weaknesses will be incorporated into the Resources Service Improvement Plan. Progress on these improvement plans will be monitored by CMT throughout the year.

2. Pay Harmonisation and Single Status.

Work is underway to fully implement the project, and resolve outstanding pay harmonisation and single status issues, with planned implementation from October 2012 subject to the outcome of trade union employee ballots.

3. Implement revised Financial Management Standards

The revised Financial Management Standards should be finalised and implemented as soon as possible on the basis that the original implementation date has been missed.

4. Business Continuity.

Develop a robust ICT architecture with as few potential single points of failure as possible and replication of key systems.

5. Changing Government Policy on the Ethical Framework.

When central government have clarified the late changes to the Localism Bill, we will review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council, and provide advice and guidance to Members, Officers and other key stakeholders on the new ethical structure.

We propose over the coming year to take steps 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.

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Signed:

Simon Henig
Leader of Durham County Council

George Garlick
Chief Executive

Don McLure
Corporate Director, Resources

Appendix 3: Governance Action Plan – 2011-12 Annual Governance Statement

The Lead Officer is the officer who will oversee and monitor the implementation of the action. However, for a number of actions, it is the responsibility of the Services, not the Lead Officer, to implement the actions.

No.	Significant governance issue	Further Action Required	Lead Officer	Target Implementation Date
1	A number of significant weaknesses in the system of financial control.	The actions to address the financial systems weaknesses will be incorporated into the Resources Service Improvement Plan. Progress on these improvement plans will be monitored by CMT throughout the year.	Don McLure	Throughout 2012/ 13
2	Pay Harmonisation and Single Status.	Work is underway to fully implement the project, and resolve outstanding pay harmonisation and single status issues	Kim Jobson	December 2012
4	Implement revised Financial Management Standards.	The revised Financial Management Standards should be finalised and implemented.	Jeff Garfoot	December 2012
5	Business Continuity	Develop a robust ICT architecture with as few potential single points of failure as possible and replication of key systems.	Phil Jackman	March 2013
6	Changing Government Policy on the Ethical Framework resulting from the enactment of the Localism Bill on 31 July 2012.	When central government have clarified the late changes to the Localism Bill, we will review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council, and provide advice and guidance to Members and Officers on the new ethical structure.	Colette Longbottom	October 2012
		Provide appropriate training and guidance for key partners, suppliers, service providers and other stakeholders to build awareness of the Council's ethical ethos and practice.	Colette Longbottom	October 2012