

## **Audit Committee**

**27 June 2013**

**Draft Annual Governance Statement for  
the year April 2012 – March 2013**



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## **Report of Don McLure, Corporate Director, Resources**

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### **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 Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (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 Resources Management Team 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. Resources Management Team also monitors progress 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 and other review agencies.

### **6.2 Service assurance on the effectiveness of the governance framework**

Corporate Directors and the Assistant Chief Executive were asked to complete an assurance statement, which noted any changes implemented during the 2012/ 13 year, and to identify any improvements required/ planned.

## **Recommendations and reasons**

7. Audit Committee to:

- approve the first draft of the AGS for 2012/ 13 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**

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

**Staffing** - Ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

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

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

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

**Crime and Disorder** – None.

**Human Rights** - None.

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

**Procurement** – None.

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

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

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## **Appendix 2: Draft Annual Governance Statement 2012/13**

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### **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 Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (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 2013 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 2012/13.

#### **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 the current review is due for completion in September 2013.

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 and Improvement 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 detail the planned actions to deliver the Council's vision. Plans developed in partnership are also in place to deliver the goals of the SCS, such as the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy.

The Council Plan and the [Medium Term Financial Plan 2013 - 2017](#) (MTFP) 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. Cabinet approved a report in July 2012 detailing the planning frameworks and timetable that enabled the Council to develop the 2013/14 Budget, the 2013/14 – 2016/17 MTFP, the Council Plan and Service Plans. A comprehensive schedule of savings targets have been programmed to achieve the necessary

savings to enable us to deliver a balanced budget and MTFP. Assurance over the delivery of this programme is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT) and Cabinet and the target savings of £26.6m for 2012/13 have been delivered. Moreover, a programme management approach to the changes introduced by the Welfare Reform Act has been put in place involving key actions such as the introduction of a local Welfare Assistance Scheme, a new policy for Discretionary Housing Payments and the development of systems and performance indicators to enable the Welfare Reform Steering Group to monitor and report on the impacts of the reforms.

A programme management approach for key corporate projects has been established and embedded including project management training across the Council. Assurance that the Council is effectively managing major change is demonstrated by the transfer of public health responsibilities, resulting from the Health and Social Care Act 2012, which was completed on 31 March 2013. A programme management approach was adopted, with monitoring by Corporate Management Team, the NHS Transition Project Board, Shadow Health and Wellbeing Board, Cabinet, Overview and Scrutiny Committees and the County Durham Partnership Board. This ensured that the transition was successfully completed.

Numerous reviews have been undertaken across the Council to provide assurance that VFM services are being provided and key examples include:

- Day Services;
- Adult Social Care Services, as part of the LGA efficiency programme;
- Twin Bins / Alternate Weekly Collections;
- Centralisation of HR and Finance functions;
- Stock options appraisal and agreed strategy for rationalisation of management and support across the providers.

Senior Management Teams have used benchmarking data from statutory returns, such as budget statements collected by the Department for Education and the Personal Social Services Expenditure Return, to inform programmes of VFM reviews and savings options in various service areas. Where necessary, this has been supplemented by data from commercial benchmarking clubs, such as CIPFA, to facilitate meaningful comparisons with other organisations. Independent assurance of our VFM was also gained from the Audit Commission, who issued an unqualified VFM conclusion in 2011/12.

To enable better use of resources, the Council has further strengthened its governance arrangements by:

- Centralising the Council's finance and human resources functions;
- Merging Children and Young Peoples Services and Adults Wellbeing and Health into one integrated service from August 2012;
- Developing a new model of service delivery for the Health and Safety function;
- Implementing a new approach to Community Buildings Grant Aid, including the allocation process, criteria and administration for 2013/14 applications;
- Developing Financial Management Standards, which underpin the high level arrangements set out in the Council's Financial Procedures Rules in the Constitution.

To measure the quality of services, the Council has a locally led performance management 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 July 2012 the Council was the subject of a [Peer Review](#) by the Local Government Association, the purpose of which was to:

- measure our progress since reorganisation in April 2009;
- report on progress to local residents and the Government;
- provide a useful external challenge to our vision and direction of travel;
- access learning and ideas from other areas.

The key findings of the [Peer Review](#) were:

- The Council has strong political leadership, with a clear vision for the future and has provided a clear political steer on the future 'Altogether Better' vision and direction for the Council and its partners. The Council needs to work on an ongoing basis to ensure that the vision is consistently translated through to Officers, Members and communities;
- The Council has a clear MTFP and delivery of savings and associated risks are being well managed;
- The Council has undertaken an extensive programme to bring together services in a coherent way, whilst also taking opportunities to join up some services and make financial savings;
- The organisational culture of the Council is open, transparent and generally positive, even in light of the impact of national public sector funding reductions;
- The Council is well regarded by external partner agencies.

Further independent assurance of the Council's financial management was provided by the Audit Commission in both their Annual Governance Report and Certification of Claims and Returns Annual Report. Governance reviews are also led by Services, such as the quality assurance team in Children and Adults Services.

Members have robustly scrutinised the performance of the Council, demonstrated by a number of key scrutiny reviews of Council services during 2012/13, 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 January 2013 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. Other examples of Members and Officers working together include monthly meetings of the Capital Member/Officer Working Group and six-monthly updates on disposals of surplus property. Improvements during the year to strengthen our governance arrangements include a revised Code of Conduct for Members and a revised Code of Practice for Members and Officers dealing with Planning Matters.

Member remuneration is overseen by an independent panel, and their report was approved by Council on in February 2013.

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

The Council's self-assessment against the principles of the CIPFA Statement on the Role of Head of Internal Audit illustrates a high degree of compliance. Areas for improvement primarily relate to improving assurance on programme and project risks. New Public Sector Internal Audit Standards were introduced in April 2013 and an initial assessment of compliance, and a review of the Internal Audit strategy, will be undertaken in 2013/14 as part of the annual review of effectiveness.



### **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](#). This includes the Code of Conduct for Members, which was revised in 2012/13. 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 Localism Act 2011 abolished the standards board regime and introduced a new duty to promote and maintain high standards of conduct. A new ethical framework was adopted in July 2012, and consequently, an Annual Report was not produced in 2012, the last [Standards Committee Annual Report](#) being presented to the Full Council in October 2011.

We have also reviewed and updated other key governance documents to ensure our values are followed in practice, such as the Contract Procedure Rules.

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. The Monitoring Officer issued a formal reminder during the year to Corporate Directors about their responsibilities in relation to gifts and hospitality.

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 2012/13, the MTFP was fully equality impact assessed. Our commitment is further demonstrated by equality impact assessment training, which has been attended by nearly 200 people, and equality sessions provided for Area Action Partnership Co-ordinators during 2012/13. A schedule of impact assessments is monitored through the Equality, Diversity and Cohesion Working Group.

To improve fraud awareness across the Council, training was rolled out to all tier 5 managers and above. Fraud risks have been reassessed, to confirm that they are in line with the recommendations of both the 'Fighting Fraud Locally' and 'Protecting the Public Purpose' guidance.

Examples of further improvements that demonstrate the Council upholding high standards of conduct and behaviour include implementing a Policy and Code of Practice on the use of CCTV across the Council, and improving the quality of applications and authorisations made under the Regulation of Investigatory Powers Act through a programme of formal training and the provision of associated templates.

#### **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 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 March 2013, having been reviewed by an all-party group, namely the Constitution Working Group. Key changes to the Constitution in 2012/13 reflect:

- The restructure of CMT resulting from the merger of Children and Young Peoples Services and Adults Wellbeing and Health into one integrated service from August 2012;
- Revised roles and responsibilities for the Standards Committee following the changes introduced by the Localism Act 2011;
- A revised Code of Conduct for Members;
- Establishment of the Police and Crime Panel following the new arrangements for policing and police accountability introduced by the Police Reform and Social Responsibility Act 2011;
- Changes introduced by The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. This included the Officer Delegation Scheme, Access to Information Procedure Rules, Executive Procedure Rules, and Overview and Scrutiny Procedure Rules;
- Amendments to the delegations to the Corporate Director, Resources to factor in changes under the Welfare Reform Act 2012 and Local Government Finance Act 2012, and to the delegations for the Director of Public Health;
- A revised Code of Practice for Members and Officers dealing with Planning Matters.

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 2012. Due to the timing of the 2013 local elections, the next refresh will be done in early 2014. Where appropriate, Members have scrutinised the decisions of the Council, demonstrated by a number of key reviews which are outlined in the [Overview and Scrutiny Annual Report](#). They also contributed to a number of consultations and policy development areas, such as the draft County Durham Climate Change Strategy and Community Infrastructure. Further assurance on the effectiveness of the Overview and Scrutiny function was provided by the Peer Review, which concluded that it is making a useful contribution through influencing policy development in areas related to the Council Plan.

A Police and Crime Panel was established under the Police and Social Responsibility Act 2011, and agreed its panel arrangements, terms of reference and joint working arrangements with Overview and Scrutiny functions at Durham County Council and Darlington Borough Council. All Council panel members have received induction training and personal development plans.

A [Health and Wellbeing Board](#) was established following the transfer of public health responsibilities to the Council in April 2013.

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 2012/13. For example,

- Non-executive members received training to enable them to input into performance setting MTFP and budget planning;
- A revised Powers of Delegated Authority Schedule, and a revised Policy and Procedural Frameworks were implemented following the Council assuming public health responsibilities, and the merger of Children and Young Peoples Services and Adults, Wellbeing and Health Service;
- Improving records management by updating records retention schedules, identifying Records Champions, and developing Secure Handling of Paper Records in Transit Policy;
- Improving handling of responses to requests for information under the Freedom of Information Act, Environmental Information Regulations and subject access requests made under the Data Protection Act;
- Implementing a revised Data Quality Policy, corporate data protection training and signing up to the Information Commissioner's Office's information promise. and
- Implementing a revised database of policies and procedures, accessible via the Intranet.

The Council's decision-making processes are also supported by,

- A risk management strategy and policy;
- An Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes;
- The Council ensuring that it complies with legal requirements in its decision making by ensuring that all reports requiring a decision include the legal implications, report authors confirming that they have obtained legal advice on proposals contained in reports, and the source of that legal advice.

The key mechanism provided for employees, and contractors and suppliers providing services for the Council, to raise concerns about potential breaches of conduct in decision-making is the Confidential Reporting Code (Whistle blowing policy), which is part of the Council's Constitution, and is monitored by the Audit Committee.

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

The Council is committed to continually reviewing 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 October 2012. This was developed through undertaking Personal Development reviews with Elected Members in order to identify individual and group learning interventions, and incorporated the planning and delivery of a large scale induction for the new Electorate in May 2013. All these activities were further informed during 2012/13 by the active Officer/Member Elected Member Development Group who promote the participation and development of all Elected Members in the Council. 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, with the next re-assessment due in 2014.

Further interventions to develop the capacity of officers to enable them to deliver upon the Council's key objectives have included an Employee Support Programme and development programmes for managers being established to enable them to support employees and the Council through the major restructuring process associated with the MTFP outcomes. Key improvements in place to further develop officer capability and capacity include:

- A full review of the Appraisal process, and actions undertaken to improve appraisal completion rates;
- Implementation of the "The Durham Manager" development programme, aimed at the Extended Management Team of the Council, that commenced in December 2012 and will reach over 450 key managers;
- Implementation of an Attendance Management framework to support managers improve attendance at work;
- Improvements in workforce data management and production to further inform strategic workforce development planning.

Assurance on the effectiveness of our approach to developing the capability and capacity of officers is demonstrated by the Council maintaining the Investor in People Standard, with re-accreditation due in 2014. Additional assurance was also gained from the Peer Review, which concluded that staff generally perceive middle managers to be in touch with operational service issues.

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

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

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:

- An interim update to the Consultation and Engagement Strategy to comply with legislation, and training to equip staff with the necessary skills to undertake consultation exercises effectively;
- 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](#). One of the aims of the 2012 consultation was to gauge the public's view on how the Council has managed the austerity savings and which areas should be considered in future. A two-phase consultation exercise was an integral part of the MTFP development plan;
- Carried out a number of satisfaction surveys on frontline services, both on a quarterly and annual basis;
- Undertook significant consultation exercises for over 60 projects, including Household Waste Recycling Centres, Twin Bins, Library Strategy, Digital Durham, and the Local Council Tax Support Scheme, and surveys such as the Children and Young Peoples Survey;
- A high level approach to localities, covering delivery, engagement and statistical reporting has been agreed through County Durham Partnership.
- Established the Voluntary and Community Sector (VCS) Working Group, led by the Council with representatives from the VCS, to establish arrangements to support front line Third Sector organisations in County Durham;
- Established a Local Councils Working Group and held an event in October 2012 to build closer working relationships in relation to new and developing areas of work;
- Launched the 'Disabled Go' website, which provides information to the public on access to over 1,000 venues;
- Introduced the first corporate staff awards scheme in December 2012, and the re-launch of the New Era website, which provides a monthly policy and news round-up from the Chief Executive to all staff;
- The Community Building team enhancing support, including a buddy programme, to a range of partners and external organisations.

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. A number of AAPs have encouraged greater stakeholder engagement by holding mass participation budget meetings where members of the public have been given a say in the allocation of over £680,000 funding with over 1,000 attendees taking part. A Countywide AAP meeting, namely the Big Tent Event, was led by the Council Leader and over 100 people attended.

Assurance that the Council is effectively engaging with various stakeholders was gained from the Peer Review, which highlighted:

- The Council is well regarded by external partner agencies;
- The Council uses a range of channels to communicate with local communities and staff;
- The internal communication channels are generally good and staff understand key issues within the Council;
- The Council has invested heavily in developing its approach to Customer Services, including a series of new Customer Access Points;
- A number of good examples of consultation across the county which the council and other agencies can learn from on an ongoing basis, such as the community buildings review and local budget consultations.

We are in a group relationship with East Durham Homes and Dale and Valley Homes and undertake significant activities through this group. The main features of their governance arrangements are documented each year through written assurance statements.

## 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 Head 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 roles 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 the work undertaken, Internal Audit is able to provide a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2012/13. This moderate opinion ranking is the same as the 2011/12 and provides assurance that there is basically a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls. Given the extent of change across the Council and the overall reduction in resources during the year, the sustenance of this assurance opinion should be regarded as a positive outcome.

## **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 for 2011/12, 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 2012/13 Annual Governance Statement.

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

The positive direction continues, supported by comments from External Audit as part of the accounts closure process for 2011/12 and reported to the Audit Committee. Further actions to address the financial systems weaknesses have been incorporated into the Resources Service Improvement Plan, and as such, this is no longer considered a significant area for governance improvement.

### **2. Pay Harmonisation and Single Status.**

Outstanding pay harmonisation and single status issues have been addressed with the three recognised Trade Unions, who have all signed the Local Collective Agreement with the Council. The agreement's effective date is 1 October 2012, and where employees have a reduction in basic pay as a result of this agreement, they will receive protection of basic contractual pay up to 30 September 2014. This is no longer considered a significant area for governance improvement.

### **3. Implement revised Financial Management Standards**

The revised Financial Management Standards have been implemented, and are being rolled-out. This is no longer considered a significant area for governance improvement.

### **4. Business Continuity.**

A significant amount of work has been undertaken to develop ICT architecture with minimal potential single points of failure. The Member Officer Working Group has approved the capital for a backup site, which will be in partnership with Sunderland City Council. Work has commenced, and should be live by September 2013. This is still considered a significant governance issue and has been carried forward as a governance improvement.

### **5. Changing Government Policy on the Ethical Framework.**

Following the implementation of the Localism Act, the Council adopted a new code of conduct, delegations and assessment framework, which was supported by training to Members. This is no longer considered a significant area for governance improvement.



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 at its meeting on 12 June 2013, and as reported to the Audit Committee on 27 June 2013, together with a summary of action taken or being taken to address each issue, are detailed below.

### **1. Business Continuity**

A backup ICT site will be developed in partnership with Sunderland City Council by September 2013. This is carried forward from the previous Annual Governance Statement.

### **2. Value for Money.**

All services have actions in their Service Plans around securing Value for Money (VFM) and achieving MTFP savings targets. This will be strengthened by further developing systems to measure and demonstrate VFM. The Council will build on the good work in achieving financial savings by further strengthening our arrangements for securing value for money to meet the CIPFA guidance on a VFM strategy.

### **3. Localities**

The County Durham Partnership (CDP) is aiming to develop a new approach to locality working, and has agreed the adoption of a CDP statistical geography for cross-thematic strategic planning. The objective is to create a framework to build a better understanding of our localities and thus develop a stronger understanding of the performance challenges in each area in order to improve local outcomes.

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.

#### **Signed:**

Simon Henig  
Leader of Durham County Council

George Garlick  
Chief Executive

Don McLure  
Corporate Director, Resources

### **Appendix 3: Governance Action Plan – 2012-13 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	<b>Business Continuity</b>	A backup ICT site will be developed in partnership with Sunderland City Council by September 2013. This is carried forward from the previous Annual Governance Statement.	Head of ICT Services	30 September 2013
2	<b>Value for Money.</b>	All services have actions in their Service Plans around securing Value for Money (VFM) and achieving MTFP savings targets. This will be further strengthened by developing systems to measure and demonstrate VFM. The Council will build on the good work in achieving financial savings by further strengthening our arrangements for securing value for money to meet the CIPFA guidance on a VFM strategy.	Head of Planning and Performance	31 March 2014
3	<b>Localities</b>	The County Durham Partnership (CDP) is aiming to develop a new approach to locality working, and has agreed the adoption of a CDP statistical geography for cross-thematic strategic planning. The objective is to create a framework to build a better understanding of our localities and thus develop a stronger narrative for each area in order to improve local outcomes.	Head of Planning and Performance	31 March 2014