

Audit Committee

28 November 2013

Local Code of Corporate Governance



Report of Corporate Management Team Don McLure, Corporate Director Resources

Purpose of the Report

1. This report seeks approval of the updated Local Code of Corporate Governance attached in Appendix 2.

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 as well as being spent 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 its 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’ and is based upon the 6 core principles. This Code is a public statement, included in the Constitution, which sets out the way the Council will meet its commitment to demonstrating that it has the necessary Corporate Governance arrangements in place to perform effectively. It represents a key component of the Council’s governance arrangements, and applies to all Council Members, Officers, Partners and stakeholders in their dealings with the Council.
4. In line with agreed practice, the Code has been revised following the completion of our annual review of the effectiveness of the Council’s corporate governance arrangements.

Recommendations and Reasons

5. To recommend the revised Local Code of Corporate Governance, attached in Appendix 2, to the Constitution Working Group for inclusion in the Council’s Constitution.

Contact: David Marshall Tel: 03000 269648

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 CIPFA/ SOLACE guidance.

Risk - Not a key decision.

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 - 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 - None.

DURHAM COUNTY COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

Introduction

- 1.1. Corporate governance is a term used to describe how organisations direct and control what they do. As well as systems and processes, this includes cultures and values. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2. Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. Corporate governance is also the structure through which strategic objectives are set and performance monitored. Best practice principles in that regard flow from the three core components of the Turnbull report, namely: the assessment of corporate risk; effective management systems and the enabling of the organisational culture.
- 1.3. Durham County Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. This Code is a public statement that sets out the way the Council will meet that commitment. As such it represents a key component of the Council's governance arrangements, and is included in the Constitution.
- 1.4. The Code has been developed in accordance with and is consistent with the CIPFA / SOLACE Delivering Good Governance in Local Government Framework and is based upon the following six core principles:
 - **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**
 - **Members and officers working together to achieve a common purpose with clearly defined functions and roles**
 - **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
 - **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
 - **Developing the capacity and capability of members and officers to be effective**
 - **Engaging with local people and other stakeholders to ensure robust public accountability**
- 1.5. The Code details how the Council will follow these core principles and the supporting principles that underpin them. To complement this, the Code also highlights the key documents and functions which contribute to the Council's good governance arrangements.
- 1.6. The Code also aims to ensure that the corporate governance arrangements help the Council to appropriately respond to sustained pressures from a variety of sources.
- 1.7. The mechanisms for monitoring and reviewing the Council's corporate governance arrangements are set out in the Code.

2. The Six Principles of Good Governance

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

2.1. The key governance documents supporting this principle are the Constitution and:

- Sustainable Community Strategy 2010 - 2030 (SCS),
- County Durham Plan
- Regeneration Statement 2012 - 2022
- Children, Young People and Families Plan 2012 - 2016
- Joint Health and Wellbeing Strategy 2013 – 2017 (JHWS)
- Safe Durham Partnership Plan 2011 - 2014
- Council Plan, Service Plans, Medium Term Financial Plan (MTFP), and
- Various reports on subjects including Financial Management, Performance Management, Scrutiny, Risk Management and Internal Audit.

2.2. The Council exercises strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users. This is achieved by:

- Promoting the authority's purpose and vision through the Sustainable Community Strategy 2010 - 2030 (SCS), with our partners on the County Durham Partnership (CDP), and through the strategies and plans listed in paragraph 2.1, above.
- Identifying priorities and actions to support the delivery of the vision in the Council Plan and Service Plans and the Medium Term Financial Plan (MTFP).
- Reviewing the Council Plan and the MTFP annually, and the SCS every three years (it was last reviewed in September 2013).
- Setting out in the Constitution the purposes for which the Executive may enter into partnerships or joint arrangements.
- Ensuring, through the partnership governance framework, that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners, and recorded in the Council's Partnership Register.
- Publishing various reports on a timely basis to communicate the authority's activities and achievements, its financial position and performance.

2.3. The Council ensures that users receive a high quality of service whether directly, or in partnership, or by commissioning, by:

- Maintaining a range of performance management frameworks, internally and through the CDP performance management framework and other partnerships.
- Measuring service quality against locally-led performance indicators and independently-verified performance information.
- Ensuring that the information needed to review service quality effectively and regularly is available.
- Providing a Quarterly Performance Management Report to Cabinet, ensuring that effective arrangements are put in place to deal with failure in service delivery.

2.4. The Council ensures that the authority makes best use of resources and that tax payers and service users receive excellent value for money by:

- Driving value for money improvements in the provision of local services, informed by a variety of benchmarking data and networks. These are delivered through the Council Plan and the Medium Term Financial Plan, which is subject to detailed and frequent monitoring undertaken by Corporate Management Team and Cabinet.
- Publishing externally audited Annual Statements of Account.
- Closely monitoring, through CMT and Cabinet, the delivery of the MTFP and the associated efficiency programme.

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

- 2.5. The key governance documents supporting this principle are contained in the Constitution. These arrangements are further strengthened by a number of formal member and officer working groups.
- 2.6. The Council ensures effective leadership throughout the authority and is clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function. This is achieved by setting out, in the Constitution:
- Clear statements of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.
 - Clear statements of the respective roles and responsibilities of other authority members, members generally and senior officers. These statements are promptly updated following organisational restructures and the creation of major posts.
 - The arrangements and rules of procedure for the Overview and Scrutiny function.
 - Who is responsible for the various functions of the Council.
- 2.7. The Council ensures that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard. This is achieved by:
- Reviewing the Constitution through the Constitution Working Group, which consists of the lead Members from each political party, chaired by the Leader of the Council.
 - Electing a Leader of the Council, nominating a Cabinet made up of members with defined executive responsibilities, and annually appointing Committees to discharge the Council's Regulatory and Scrutiny responsibilities.
 - A scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensuring that it is monitored and updated when required.
 - Setting out in the Constitution clear guidance to members and employees of the Council on their relations with one another.
 - Making the Chief Executive, as Head of Paid Service, responsible and accountable to the authority for all aspects of operational management.
 - Making the Corporate Director, Resources (the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
 - Making the Head of Legal and Democratic Services (the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
 - Recognising in the Constitution the statutory roles of the Corporate Director, Children and Adults Services, and the Director of Public Health.
 - Holding regular meetings between senior members and officers.

2.8. The Council ensures relationships between the authority, its partners and the public are clear so that each knows what to expect of the other by:

- Ensuring effective communication between members and officers in their respective roles through the Protocol on Member/Officer Relations.
- Setting out in the Constitution the terms and conditions for remuneration of members and officers, overseen by the remuneration panel.
- A Health and Wellbeing Board overseeing the public health responsibilities transferred to the Council in April 2013.
- Ensuring, through regular reporting internally and to the County Durham Partnership, that effective mechanisms exist to monitor service delivery.
- Consulting with partners when developing the council's own three year MTFP, working with key agencies to develop complementary proposals and consulting on a joint basis with the Police and NHS County Durham and Darlington.
- Consulting Area Action Partnerships, the public and other stakeholders on the development and implementation of our MTFP to identify local priorities for action, test strategic priorities at a local level and seek innovative ideas from local people on how to realise efficiencies by working more closely with our partners.
- When working in partnership ensuring, through the partnership governance framework, that:
 - members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority;
 - there is clarity about the legal status of the partnership;
 - representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

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

2.9. The key governance documents supporting this principle are the Constitution, the Council Plan and the Register of Gifts and Hospitality.

2.10. The Council ensures that authority members and officers exercise leadership, and behave in ways that exemplify high standards of conduct and effective governance, by:

- Establishing and keeping under review the Council's own values on leadership as enshrined in the Council Plan and evidenced in Codes of Conduct that sets a standard for behaviour.
- Ensuring that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.
- Having systems in place for reporting and dealing with incidences of fraud and corruption.
- Setting, out in the Constitution, a protocol for the Chairman and Vice-Chairman of the Council that includes an expectation of political neutrality and acting as the conscience of the Council.
- Putting in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These arrangements include a Register of Interests, Declarations of Gifts and Hospitality, and the Statutory Declaration of Acceptance of Office, which all Members are required to sign.

2.11. The Council fosters a culture of behaviour based on shared values, high ethical principles and good conduct by:

- Maintaining an effective Standards Committee.
- Investigating any suspected breaches of the Council's codes of conduct.
- A Single Equality Scheme which includes 'protected characteristics' covered by the Equality Act.
- Promoting its Counter Fraud and Corruption Strategy externally, as well as internally, with any party who may have any dealings with the Council.

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

2.12. The key governance documents supporting this principle are the Constitution; the Corporate Complaints Policy and Procedure; the Risk Management Strategy and Policy; the Counter Fraud and Corruption Strategy; and the Confidential Reporting Code.

2.13. The Council is rigorous and transparent about how decisions are taken and listens and acts on the outcome of constructive scrutiny. This is achieved by:

- Ensuring that all decisions are made in public, recording those decisions and relevant information, and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Council).
- Publishing an Executive Forward Plan of decisions for next four months;
- Effective scrutiny functions that encourage constructive challenge and enhance performance through the Overview and Scrutiny Committee, and the Police and Crime Panel.
- Putting in place arrangements to safeguard members and employees against conflicts of interest, and appropriate processes to ensure that they continue to operate in practice.
- An effective Audit Committee that is independent of the executive and scrutiny functions, with responsibility for monitoring and reviewing the risk control and governance processes; and associated assurance processes.
- Ensuring through the Council's Complaints Procedure that effective, transparent and accessible arrangements are in place for dealing with complaints.
- A Freedom of Information publication scheme.

2.14. The Council maintains good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs. This is achieved by:

- Implementing a Data Quality Policy, corporate data protection training and signing up to the Information Commissioner's Office's information promise.
- Applying the principles of decision making, as set out in the Constitution, so that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications.
- Ensuring that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

2.15. The Council maintains an effective risk management system by:

- Ensuring, through the Risk Management Strategy and Policy, that risk management is embedded into the culture of the authority, and that members and managers at all levels recognise that risk management is part of their jobs.
- Ensuring, through the Confidential Reporting Code and the School Financial Value Standard, that effective arrangements for whistleblowing are in place to which officers, staff and all those appointed by the authority have access.

2.16. The Council ensures that its legal powers are used to the full benefit of the citizens and communities in County Durham by:

- Utilising its' powers to the full benefit of communities but within the limits of lawful activity, for example, the 'ultra vires' doctrine.
- Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.
- Observing legislative requirements placed upon the Council, as well as the requirements of general law, and integrating the key principles of good administrative law – rationality, legality and natural justice – into its' procedures and decision-making processes.

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

2.17. The key governance documents supporting this principle are the Constitution; the Member Learning and Development Strategy; People and Organisational Development Strategy; and the Recruitment and Selection Policy.

2.18. The Council ensures that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles by:

- Ensuring, through Personal Development Plans, that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.
- Maintaining the Investor in People Standard.
- Evaluating the effectiveness of Member development planning and evaluation via the Member Development Group which is chaired by a Member.
- Managing the performance and development of employees through an annual appraisal process.

2.19. The Council develops the capability of people with governance responsibilities and evaluates their performance, as individuals and as a group, by:

- Assessing the skills required by members and officers through personal development plans, and making a commitment to develop those skills to enable roles to be carried out effectively.
- Developing skills on a continuing basis, through implementation of the Member Development Strategy, to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

2.20. The Council encourages new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal. This is achieved by:

- Ensuring, through the Recruitment and Selection Policy that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.
- Taking a strategic approach to workforce planning.

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

2.21. The key governance documents supporting this principle are the Constitution (Parts 2 and 4); the Consultation and Engagement Strategy; and the County Durham Partnership Community Engagement and Empowerment Framework.

2.22. The Council exercises leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships. This is achieved by:

- Making clear to members, officers, staff and the community, to whom we are accountable and for what.
- Considering those institutional stakeholders to whom the authority is accountable and assessing the effectiveness of the relationships and any changes required.
- Producing an annual report on the activity of the scrutiny function.
- The County Durham Partnership Community Engagement and Empowerment framework, developed by the CDP, to shape and support a common vision and approach for community engagement by partners in County Durham, so that people feel able to influence decision making.
- Encouraging and supporting the public in submitting requests for aspects of the Council's Service to be scrutinised.
- Providing an appeals mechanism to ensure that the Council has a robust procedure in place for Petitions, and that petitioners have an opportunity to challenge Council inaction regarding a particular petition issue.

2.23. The Council takes an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning. This is achieved by:

- Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders, and ensuring that they operate effectively.
- Ensuring, through multi-agency Area Action Partnerships, that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish processes for dealing with these competing demands.
- Establishing a clear policy on the types of issue on which the authority will meaningfully consult on or engage with the public and service users. This includes a feedback mechanism for those consultees to demonstrate what has changed as a result.
- Publishing an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.
- Issuing Durham County News to every household in the County.
- Ensuring that the Council is open and accessible to the community, service users and staff and ensuring that it has made a commitment to openness and transparency in all its dealings, including partnerships. This includes holding regular Cabinet meetings and staff briefings at various locations throughout the County and, is subject only to the need for confidentiality in those circumstances where it is proper and appropriate to do so.

- Drawing upon the locality arrangements of other public service providers such as the Police, the County Durham and Darlington NHS Foundation Trust and the Tees, Esk and Wear Valley NHS Foundation Trust through its partnership arrangements.
- Establishing the Voluntary and Community Sector Working Group to support front line Third Sector organisations in County Durham.
- Establishing a Local Councils Working Group to build closer working relationships around new and developing areas of work.

2.24. The Council makes best use of human resources by taking an active and planned approach to meet responsibilities to staff. This is achieved by having a clear policy on how staff and their representatives are consulted and involved in decision making.

3. Monitoring and Review

- 3.1. The Council has two Committees that are responsible for monitoring and reviewing the various aspects of the Council's Corporate Governance arrangements.
- 3.2. The Audit Committee is responsible for the Council's arrangements relating to:
 - Monitoring and reviewing the risk, control and governance processes, and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance;
 - Approving the Council's Accounts prior to approval by the County Council;
 - Reviewing a draft of this Code of Corporate Governance and recommending any amendments required before it is considered for approval by the Constitution Working Group and Full Council;
 - External audit and internal audit;
 - Risk Management;
 - Making recommendations concerning relevant governance aspects of the Constitution;
 - Reviewing the effectiveness of Internal Audit.
- 3.3. Each year the Council is required to publish a Governance Statement. This process is managed by the Resources Management Team and overseen by the Audit Committee who is responsible for approving it. The Annual Governance Statement provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks, together with proposed improvements that will be made. This governance review process helps inform any amendments required to this Code of Corporate Governance.
- 3.4. The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be reviewed by our External Auditors as part of their annual audit process.
- 3.5. The Standards Committee is responsible for promoting high ethical standards across the Council, overview of the Member and Officer codes and other relevant protocols.
- 3.6. These two Committees will ensure that the Council's governance arrangements are kept under continual review through;
 - Reports prepared by officers with responsibility for aspects of this Code;
 - The work of Internal Audit;
 - External Audit opinion;
 - Other review agencies and Inspectorates;
 - Opinion from the Council's Statutory Officers.

3.7. The Council also has an Overview and Scrutiny Management Board and six Overview and Scrutiny Committees who support the work of the Executive and the Council as a whole. They allow a greater involvement in Council business by involving non-councillors from the wider public sector, and voluntary and community groups to help them in their work, and also work with Partners, including the County Durham Partnership. They may also be consulted by the Executive or the Council on forthcoming decisions or the development of policy. The terms of reference of the Overview and Scrutiny Management Board and its Committees are described in the Constitution.

3.8. In general, they will:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- Make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of any functions;
- Consider any matter affecting the area or its inhabitants;
- Exercise the right to ask the Cabinet to reconsider any decisions they have made (call-in).

CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which the Council is directed and controlled and through which we account to, engage with and where appropriate, lead the community

1. Focus on purpose of the authority, vision for local area and outcomes for the community	2. Members and officers working together to achieve a common purpose	3. Promoting values and upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions, scrutinised and risk managed	5. Developing capacity of Members and Officers to be effective	6. Engaging with local people to ensure public accountability



Key Documents which support the achievement of the core principles		Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Acquisition and Disposal Strategy • Annual Governance Statement • Annual Statement of Accounts • Area Action Partnership Profiles • Asset Management Plans • Asset Register • Benefits Fraud Sanctions Policy • Business Contingency Plans • Buzz Magazine (employee) • Cabinet and Committee Reports • Capital Strategy for Assets • Codes of Conduct • Complaints Policy and Procedures • Confidential Reporting Code • Constitution • Consultation and Engagement Strategy • Contract Procedure Rules • Contracts Register • Corporate Management Framework • Council Plan • Councillor Compact • Counter Fraud and Corruption Strategy • County Durham Compact • County Durham Trade Union Partnership Agreement • Countywide Resident Survey • Data Protection Policy • Data Quality Policy • Durham County News Magazine • Emergency Plan • External Audit Reports • Financial Management Standards • Financial Procedure Rules • Forward Plan of Decisions • Freedom of Information Policy • Health and Safety Policy, Procedures and Handbook • Human Resources Policies/Procedures • ICT Strategy 	<ul style="list-style-type: none"> • Information Security Policy and Manual • Inspection Reports • Internal Audit Plan • Internal Audit Reports • Joint Health and Wellbeing Strategy • Key Performance Indicators • Local Code of Corporate Governance • Local Member Consultative charter • Media Relations Strategy/Protocol • Medium Term Financial Plan • Member Handbook • Member Personal Development Plans • Members Allowance Scheme and Procedures • Members Learning and Development Strategy • Minutes of meetings • Officer & Member Declaration of Interest Register and Policies • Officer and Member Gifts & Hospitality Register and Procedures • Overview and Scrutiny Annual Report • Partnership Governance Framework • People and Organisational Development Strategy • Performance Management Reports • Policy Framework Procedure Rules • Procurement Strategy • Records Management Policy • Risk Management Strategy and Policy • Scheme of Delegation • Service Plans • Single Equality Scheme • Strategic Risk Registers • Sustainable Community Strategy • Town and Parish Council Charter • Transparency Webpage • Treasury Management Policy and Strategy 	<ul style="list-style-type: none"> • Audit Committee • Budget Process Cabinet • Constitution Working Group • Consultation Framework • Corporate Management Team • Corporate Consultation Group • Corporate Health and Safety Group • Corporate Risk Management Group • Democratic Engagement • Development Improvement Group • Equality and Diversity Steering Group • External Audit • External Inspection and Review Agencies • ICT Prioritisation Process Improvement and Planning Group • Information Governance Group • Internal Audit • Member Briefings • Member Development Group • Member Officer Working Group for capital • Monitoring Officer • Overview and Scrutiny Committee • Partnerships • Planning and Performance Group • Project Management Methodology • Resources Management Team • Service Management Teams • Standards Committee • Strategic Procurement Network

