

## County Council

23 July 2014

**Draft Annual Governance Statement for  
the year April 2013 – March 2014**



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### **Report of Don McLure, Corporate Director, Resources Councillor Jane Brown, Cabinet Portfolio Holder, Corporate Services**

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#### **Purpose of the Report**

1. To inform the County Council of the draft Annual Governance Statement (AGS), attached in Appendix 2, which was approved by the Audit Committee on 26 June 2014.

#### **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 Annual Governance Statement**

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, the Audit Committee as 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.

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 and 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 2013/14 year, and to identify any improvements required/ planned.

#### **Recommendations and reasons**

7 The County Council to note the contents of this report.

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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: Annual Governance Statement 2013/14**

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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 Accounts and Audit (England) Regulations 2011 require the Council to prepare an annual governance statement, which must accompany the statement of accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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 2014 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 Council considers the governance implications of its actions, and revised its Local Code of Corporate Governance in January 2014 to ensure that it remains consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”. 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.

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 2013/14.

#### **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**

The [Sustainable Community Strategy \(SCS\) 2014 – 2030](#) which has been produced by the Council in conjunction with its partners on the County Durham Partnership, 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 – focusing on creating a vibrant economy and putting regeneration and economic development at the heart of all our plans. This theme is supported by the [Regeneration Statement 2012 – 2022](#) and the [County Durham Plan](#);
- Altogether better for children and young people – ensuring children and young people are kept safe from harm and that they can ‘believe, achieve and succeed’. This theme is supported by the [Children, Young People and Families Plan 2014 - 2017](#);
- Altogether healthier – improving health and wellbeing, supported by the [Joint Health and Wellbeing Strategy 2013 – 17](#);
- Altogether greener – ensuring an attractive and ‘liveable’ local environment and contributing to tackling global environmental challenges. This theme is supported by the [County Durham Plan](#);
- Altogether safer – creating a safer and cohesive county, supported by the [Safe Durham Partnership Plan 2011 – 2014](#).

The latest three-yearly update of the SCS was approved by the Council in April 2014. This refreshed version of the strategy reflects changes in local priorities and the need to deliver services with fewer resources.

The County Durham Partnership, 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, 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 2014 – 2017](#) was approved in April 2014 and 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.

The [Medium Term Financial Plan 2014 – 2017 \(MTFP4\)](#) was approved by the Council in February 2014. This provides a financial framework associated with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money (VFM). The key risk facing the Council continues to be the challenge of managing unprecedented budget reductions in the current period of economic austerity. To meet this challenge, a comprehensive schedule of savings targets has been programmed to achieve the necessary savings to enable us to deliver a balanced budget and [MTFP](#). 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 £20.9m for 2013/14 have been delivered. These arrangements will equip the Council well for dealing with further austerity measures announced as part of the latest central government spending review. The Council has maintained prudent levels of reserves enabling us to meet unanticipated expenditure as necessary whilst still achieving planned savings targets and meeting service level expectations.

Through good governance, the Council continues to improve the quality of services, and this is confirmed by external independent sources of assurance, including Ofsted, the Care Quality Commission, Housing Inspections and accreditation to professional standards. Further assurance on the performance and direction of travel of the Council was gained by winning the Council of the Year category at the 2014 Local Government Chronicle Awards, described as "the biggest celebration of innovation and talent across British councils". Judges were impressed by relations with local businesses, support for small and medium enterprises, real progress in community asset transfer and the contribution made to the wider area.

Assurance can also be taken from the positive conclusions of the [Peer Review](#) by the Local Government Association which was undertaken in 2012 and the actions taken since based on their findings and recommendations.

To manage and measure service improvement, the Council has a locally led performance management framework that links to the SCS and the [Council Plan](#),

and ensures that attention is focused on Council priorities. Key target indicators are used in areas where improvements can be measured regularly and can be actively influenced by the Council and its partners. Where possible, performance is compared with that of other Councils using a recognised, online tool.

The Council continues to seek value for money (VFM) through its high level objective 'effective use of resources' under the Altogether Better Council theme. In this way, pursuit of VFM is built into the all of the Council's plans and activities, and numerous reviews have been undertaken across the Council to provide assurance that VFM services are being provided. 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 Chartered Institute of Public Finance Accountants, 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 for our 2012/13 Accounts.

The Council's Cabinet is responsible for monitoring performance and ensures that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through quarterly performance reporting to Cabinet and through performance clinics between the Chief Executive and individual Directors during the year. Members have robustly scrutinised the performance of the Council, demonstrated by a number of key scrutiny reviews of Council services during 2013/14, which are outlined in the [Overview and Scrutiny Annual Report](#).

The Annual Statement of Accounts was approved by the Audit Committee in September 2013, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2011. 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, who carried out a number of audits during the year.

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

- The framework for managing the Council's financial affairs, namely the Financial Procedure Rules, was reviewed and reported to Council in April 2014;
- Financial Awareness training was given to budget holders;
- Business Intelligence software was implemented, providing budget holders with immediate access to tailored financial management information and improving budgetary control;
- ICON, the income management software, was rolled out, enabling the Council to comply with the Payment Card Industry Data Security Standards;
- A new role of Chief Internal Auditor and Corporate Fraud Manager was created to strategically align fraud and internal audit, and a Corporate Fraud

Team was formed in December 2013, to provide access to trained investigators and allow greater coverage of counter fraud work;

- A new governance and performance framework to improve financial control of the capital portfolio was implemented;
- A corporate protocol for the governance of insurance and insurable risk was implemented;
- We utilised specialist independent actuaries in September 2013 to provide assurance that we are achieving value-for-money between external insurance cover and self-funding arrangements, and for those risks which we self-insure, providing assurance that the funds we have set aside to meet estimated future claims are appropriate.

A programme management approach for key corporate projects has been established and embedded including project management training across the Council. Examples which demonstrate that rigorous programme management has enabled effective delivery of major projects include the Council Tax Support Scheme and the transfer of Community Buildings. Moreover, a programme management approach to the changes introduced by the Welfare Reform Act has been put in place. Assurance is gained by regular monitoring of the delivery of these projects by Corporate Management Team. The effectiveness of these arrangements is also demonstrated by the Council being highly commended in the Local Government Chronicle awards for its programme on waste management, recycling and rubbish collection. The judges said:

*“In June 2013, the Council completed one of its biggest transformational programmes – the Durham County Council Waste Programme. This has successfully transformed services to become more responsive and high-quality, while massively reducing cost, increasing value for money and introducing improved ways of working. The new arrangements generated £4m of savings and significantly increased landfill diversion and recycling performance”.*

The Council's [Corporate Asset Management Plan \(CAMP\)](#) and Property Strategy were approved by Cabinet in July 2013. The [CAMP](#) sets out the Council's approach to ensuring that it makes best use of its assets in terms of service benefit, financial benefit and value for money. The Property Strategy sets out the main principles to ensure that opportunities to share the use of property are identified, and to make sure that assets are fit for purpose, cost effective and used to support regeneration and economic development. A major programme was undertaken to transfer control of around 100 public buildings to the local community, which has ensured continued provision of community facilities, significant reductions in maintenance costs, and continued support to and engagement from members of the community. Service Asset Management Plans are also in place and these include any heritage assets of the holding service.



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

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.

The [Constitution](#) sets out how the Executive is made up and how appointments to this committee are made. The roles and responsibilities allocated by the Leader under the terms of the [Constitution](#), to individual members and the committee as a whole, are set out in detail in the [Constitution](#) as well as the Scheme of Delegation for Senior Officers. The [Constitution](#) allows joint arrangements to be established for specific purposes such as the provision and maintenance of crematoria, and sets out details of existing joint arrangements, including purpose, parties and effective dates.

The Constitution Working Group, which consists of the lead members of each political party, and is chaired by the Leader of the Council, proposed amendments to the [Constitution](#) during the year which were approved by the Council. Changes following the annual review of the [Constitution](#) were approved by the Council in May 2014. Key changes include the transfer of the overview of customer complaints from the Standards Committee to the Corporate Issues Overview and Scrutiny Committee, and amendments to the Overview and Scrutiny Procedure Rules and the Petition Scheme to reflect changes in legislation.

The Health and Wellbeing Board, a Committee of the Council, was established as a consequence of the transfer of public health responsibilities from the NHS to the Council. Its functions include:

- Developing and agreeing the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy; and
- Promoting integrated working between commissioners of health services, public health and social care services, for the purpose of advancing the health and wellbeing of people in its area.

The arrangements and rules of procedure for the Overview and Scrutiny function, including the membership, functions and scope of the Overview and Scrutiny Board and each Committee is set out in detail in the [Constitution](#). Terms of Reference for the Board and Committees are set within the context of the [Council Plan](#) and the [Sustainable Community Strategy](#).

Following the Council election in May 2013, under the terms of the [Constitution](#), the Council elected a Leader and made appointments to a number of committees with various regulatory and scrutiny responsibilities. The Leader has nominated nine other councillors, including a Deputy Leader, with specific responsibilities to form the Cabinet.

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.

Member remuneration is overseen by an independent panel, and their report was approved by Council in February 2014.

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.

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

The key governance documents supporting this principle are the [Constitution](#), the [Council Plan](#) and the Register of 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 key elements of the Council's approach to communicating and embedding the expected standards of behaviour for Members and staff are also detailed in the Council [Constitution](#). The Council's Codes of Conduct included in the [Constitution](#) also apply to its partnership working, and the revised Code of Conduct for Employees was implemented in May 2014. The [Constitution](#) also sets out 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

The values of the Council are further promoted in the revised Equality Policy, which was approved in January 2014 and includes 'protected characteristics' covered by the Equality Act. Supporting this scheme is an impact assessment process, which ensures that the impact on equality is considered in the Council's decision making. For example, in 2013/14, the [MTFP](#) was fully equality impact assessed. A schedule of impact assessments is monitored through the Equality, Diversity and Cohesion Working Group. The implementation of the Access Strategy is monitored by the Equality, Diversity and Cohesion Working Group and a programme is in place for making access improvements to identified priority buildings.

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 introduced a new duty to promote and maintain

high standards of conduct and a new ethical framework was adopted in July 2012. The [Annual Report of the Standards Committee](#) was presented to the Full Council in September 2013.

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.

In response to amendments to the Protection of Freedoms Act 2012, the corporate guidance on investigations under the Regulation of Investigatory Powers Act has been updated.

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

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 \(Whistleblowing policy\)](#).

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](#). For example, an amendment was made to the [Constitution](#) to reflect the revised scheme of delegation to officers for the Corporate Director, Resources.

All major decisions as identified in the officer delegations scheme are documented, with the reports and decisions made for those that are in the public domain being available on the website. All Cabinet reports must state that legal advice on proposals has been sought, as well as the source of the advice, and Chief Officers and Heads of Service were briefed on this by way of a refresher in February 2014 by the Head of Legal and Democratic Services.

A notice of key decisions covering a rolling period of four months is published on the Council's website. Decisions made by the Executive are published on the Council's website within two days of the respective meeting. Assurance over the adequacy and effectiveness of the control framework for the Committee Management System was provided by Internal Audit.

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 2013/14. For example:

- Face to face data protection training was provided to 130 officers in November 2013 to address identified training needs, in addition to all staff being covered by online training.

- The Potential Data Breach policy was updated and circulated;
- A training and awareness session was held in November 2013 for Records Champions.

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 \(Whistleblowing policy\)](#), which is part of the Council's [Constitution](#), and is monitored by the Audit Committee. The policy is referenced in the Scheme of Financing of Schools, and the School Financial Value Standard requires schools to have appropriate whistleblowing procedures. A revised [Confidential Reporting Code](#) was approved by Audit Committee on 20 May 2014.

To further strengthen fraud awareness across the Council, 250 managers and staff have successfully completed fraud awareness training, and work has also progressed during the year to improve the effectiveness of the Council's Counter Fraud Strategy. This has been strengthened by the formation of the Corporate Fraud Team in December 2013.

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. 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:

- Stock Transfer proposals;
- The [County Durham Plan](#);
- Joint Health and Wellbeing Strategy;
- The Combined Authority proposals for the North East Local Enterprise Partnership; and
- The Council's [Medium Term Financial Plan](#).

A number of key projects and reviews have also been carried out by Overview and Scrutiny Committees including:

- Neighbourhood Wardens;
- Impact of Government Policy and Funding changes to the County Durham economy;
- The impact of flooding on our local communities;
- Customer First Strategy and customer services; and
- Alcohol and substance misuse by young people.

Further assurance on the effectiveness of the Overview and Scrutiny function can also be gained from the [Peer Review](#) in 2012, which concluded that it is making a useful contribution through influencing policy development in areas related to the [Council Plan](#).

As part of the annual review of the [Constitution](#), the Terms of Reference of the Overview and Scrutiny Management Board and Committees were updated in line

with the refresh of the [Sustainable Community Strategy](#) and [Council Plan](#) priorities and actions. This demonstrates that the work of Overview and Scrutiny contributes to the strategic priorities of the Council and its partners, and reflects the legislative requirements placed on the Council in respect of scrutiny arrangements.

With regard to the Overview and Scrutiny Committees, key points to note during 2013/14 include:

- Following the Council elections in May 2013, 55 new Councillors were elected. To ensure continued effectiveness of the Council's Overview and Scrutiny function, a series of bespoke induction sessions were held across all Overview and Scrutiny Committees engaging all Councillors and co-opted members;
- The Adults Wellbeing and Health Overview and Scrutiny Committee has been conferred with the Council's powers of review and scrutiny in respect of NHS Service changes in accordance with the Health and Social Care Act 2012;
- Through the Council's various publications and regular updating of web pages, the profile and awareness of the Overview and Scrutiny function was raised;
- Cross party representation on all Overview and Scrutiny Committees serves to promote an independent, non-partisan approach in their activities;
- Established a Joint Health Scrutiny Committee with Hartlepool and Stockton Borough Councils to formally engage and respond to proposals to reconfigure emergency medical and critical care services at North Tees and Hartlepool NHS Foundation Trust.

The Police and Crime Panel has now reviewed the first annual report of the Police and Crime Commissioner, as well as the [Police and Crime Plan 2013 – 2017](#), to fulfil its legal requirements. An update on activity from the Panel is now presented to each meeting of the Council's Safer and Stronger Communities Overview and Scrutiny Committee.

The Council's Monitoring Officer oversees the arrangements for conflicts of interest, gifts and hospitality. Members are required to review their declarations of gifts and hospitality annually. Officers and members are required to declare annually any conflicts of interest.

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; and
- 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.

During the year, a new Audit Charter was approved in line with Public Sector Internal Audit Standards. The Council's self-assessment against both the principles of the CIPFA Statement on the Role of Head of Internal Audit and the new Public Sector Internal Audit Standards, which were presented to Audit Committee in June 2013, illustrates a high degree of compliance.

A Corporate Complaints policy is in place for non-statutory complaints. From 2013/14 details of complaints, and of investigations by the Commissioner for Local Administration, have been reported to Corporate Issues Overview and Scrutiny Committee.

A Freedom of Information (FOI) Policy and Publication Scheme are in place, and details of how to make a FOI request for information can be found on the Council's website.

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

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.

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.

Other improvements to governance arrangements in this area during the year include:

- A review of the Corporate Induction programme was completed;
- Recruitment and Selection Policy was reviewed and implemented;
- A new system for maintaining staff records, which will be directly accessible by managers through the Intranet, was implemented, leading to improved efficiency and shortened processing timescales;
- The "The Durham Manager" development programme, which was rolled out to managers from September 2013, was enhanced after seeking feedback from managers through a course evaluation and focus groups programme;
- A revised Grievance Policy has been implemented, and the Disciplinary Policy is under review;
- Following extensive consultation, a revised Organisational Development Strategy will be finalised in October 2014. The Council continues to adopt the principles of the Investor in People Standard through the Organisational Development Strategy, without seeking accreditation under the scheme;
- Induction training was provided for new members following the election in May 2013;
- Individual training and development plans were produced for all members;
- The Mental Wellbeing in the Workplace Policy, which is based on the Health and Safety Executive Stress Standards, has replaced the Stress Management Policy and Toolkit;
- The Council's Occupational Health Service has been awarded Safe, Effective, Quality Occupational Health Service (SEQOHS) accreditation, which is the formal recognition that it has demonstrated the competence to deliver against the measures in the SEQOHS Standards developed by the Faculty of Occupational Medicine.
- Health and Safety unitisation and consequential review of health and safety policies and procedures; and



- A pilot scheme to improve the quality and accuracy of sickness absence data commenced in January 2014.

The Council also continues to support employees through the change process with, for example, Jobcentre Plus information sessions.

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

The key governance documents supporting this principle are the [Constitution](#); the [Consultation and Engagement Strategy](#); and the County Durham Partnership Community Engagement and Empowerment Framework.

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. The County Durham Compact provides a framework for partnership and engagement with the voluntary and community sector, and most partners within the County Durham Partnership are signatories. E-learning on the Compact has been delivered to partners and [VCS](#) organisations. Attendance by the public at Council meetings and the protocols for asking questions are contained in the [Constitution](#).

The Council has a strong commitment to working with partners to meet the needs of its communities. There are 14 [Area Action Partnerships \(AAPs\)](#) 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 that are fully engaged with the community in identifying and addressing local priorities, and utilise locality budgets to drive improvements to the local area. During 2013, through this network of [AAPs](#), the Council staged 23 'Your Money, Your Choice' consultation events across the county, working with parish councils and the community and voluntary sector. The events encouraged local people to vote for which community projects should be given a share of a community chest funded by the council and other public sector organisations. Residents were also asked to express a view on each area's local priorities. Nearly 10,700 people took part in the events, allocating £563,000 to 177 community projects.

As part of these events, the Council carried out a detailed consultation process during the development of [MTFP4](#), and 97% of the 3,300 respondents agreed with the plan. This process involved in depth exercises at 14 separate [AAPs](#) and the completion of online questionnaires. The key aim of the exercise was to assess public opinion on how to achieve its target savings, and the outputs from the exercise identified areas of the budget the public would wish to protect and those

where higher levels of saving should be implemented. Partners and key agencies, including the Police and NHS County Durham and Darlington, were also consulted.

The Durham [Citizen's Panel](#) was consulted about various proposals, projects and issues of concern, including:

- Residential Care Homes;
- [Medium Term Financial Plan](#);
- Garden Waste;
- School Crossing;
- Customer First;
- Community Resilience;
- Fixed Play Provision; and
- Corporate Tree Management Policy.

Evidence of our community engagement includes:

- A [Voluntary and Community Sector \(VCS\) Strategy](#) was developed to help the council work in partnership with the [VCS](#) to realise the ambitions of individuals and to improve their quality of life;
- The [AAPs](#), voluntary sector organisations and a community buildings team funded by the council has worked with local community organisations to take on a number of community buildings, following targeted investment to improve the assets;
- Councillors and employees, particularly those in customer-facing roles, have received training to help them understand the welfare reform changes and how the council and partners can help;
- A comprehensive communications programme has been instigated to ensure that claimants understand proposed welfare reform changes;
- The corporate website is being re-designed, with views being sought from staff and members of the public, and it is planned to go live in 2014;
- Strengthening the remit, representation and focus of the Customer Focus Board that provides a multi service approach to developing and implementing a new Customer First Strategy for the Authority;
- All [AAPs](#) and the Terms of Reference were reviewed this year, during which the first four-year tenures of Public Representatives were completed.

In achieving Council of the Year at the 2014 Local Government Chronicle Awards, judges were impressed by community engagement arrangements across the Council:

*The Council has made considerable efforts to engage the community and prides itself on being ambitious, open to trying new things and exhibiting a clear set of priorities. Its 'Altogether Better Council' plan is one example of the organisation's priorities and sets out a precedent for collaborative community strategies. Finally, its pioneering approach to engaging local communities through [area action partnerships](#), neighbourhood budgets and participatory budgeting has won international acclaim. Partnership is a key part of this organisation's success and Durham believes it has a huge amount to offer to its peers". (LGC article)*



Assurance can also be gained from the [Peer Review](#) by the Local Government Association, which was undertaken in 2012, which highlighted that the Council is 'effectively engaging with stakeholders' and has 'communication channels with local communities'.

Through its partnership governance framework, the Council has gained assurance 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; and
- representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

#### **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.

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.

Maintaining the effectiveness of the corporate governance framework involves the key Member and Officer roles outlined below, namely:

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

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 delivery of the internal audit plan, Internal Audit is able to provide a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2013/14. This opinion ranking provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. Given the extent of change across the Council and the overall reduction in resources during the year, the sustainment 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.

### **Update on improvements identified in the 2012/13 Annual Governance Statement**

Following the production of the Annual Governance Statement for 2012/13, 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 2013/14 Annual Governance Statement.

#### **1. Business Continuity**

A backup ICT site, developed in partnership with Sunderland City Council, is now in place. The equipment has been installed and data has been transferred. Testing has taken place at a functional / equipment level and a full test is planned for June 2014.

## **2. Arrangements for ensuring Value for Money**

The Audit Commission VFM profiles, which will be adopted by the Local Government Association (LGA) on the demise of the Audit Commission in March 2015, are used to provide assurance that the mechanisms that we currently have in place are identifying and addressing those areas where less than optimal VFM is being achieved. These are supplemented by CIPFA VFM benchmarking information for central services, where available, and this has been done in 2013/14. In Children and Adults Services, analysis of s251 (children and young people's budget statement) and PSSEX1 (Personal Social Services Expenditure) benchmarking data is well embedded and is used to inform VFM considerations in this service.

In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2013/14 were sound. As a result of the review of governance arrangements, and the work of both internal and external audit, we have not identified any further areas for significant governance improvement in 2014/15.

### **Signed:**

Simon Henig  
Leader of Durham County Council

George Garlick  
Chief Executive

Don McLure  
Corporate Director, Resources