

## **Audit Committee**

**30 September 2015**

**Annual Governance Statement for the  
year April 2014 – March 2015**



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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 final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2014/15.

### **Background**

- 2 The Audit Committee approved the draft AGS on 29 June 2015. A copy of the final proposed AGS is attached in Appendix 2 and this will be included in the audited Statements of Accounts.

### **Recommendations and reasons**

- 3 The Audit Committee to approve the final AGS in Appendix 2.

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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 Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance.

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

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

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

**Crime and Disorder** – None.

**Human Rights** - None.

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

**Procurement** – None.

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

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

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## **Appendix 2: Annual Governance Statement 2014/15**

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### **SCOPE OF RESPONSIBILITY**

1. 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.
2. 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.
3. 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.
4. In January 2014, the Council approved, adopted and published on its website, a revised Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – “Delivering Good Governance in Local Government”.
5. 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.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

6. 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.
7. 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.

8. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

## **THE GOVERNANCE FRAMEWORK**

9. 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.
10. 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 2014/15.

### **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**

11. 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 2015 - 2018](#);
  - Altogether healthier – improving health and wellbeing, supported by the [Joint Health and Wellbeing Strategy 2015 - 2018](#);

- 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 2014 - 2017](#) and the [Police and Crime Plan 2015 - 2017](#).
12. The SCS was renewed and launched in November 2014 and identified six new areas of cross-thematic focus that will benefit from additional joined up working: Job Creation, Volunteering, Inequalities, Alcohol, Mental Wellbeing and Think Family. This refreshed version of the strategy reflects changes in local priorities and the need to deliver services with fewer resources.
13. 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.
14. The [Council Plan 2015 -2018](#) was approved in April 2015 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.
15. The [Medium Term Financial Plan 2015 - 2018 \(MTFP\)](#) was approved by the Council in February 2015. 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, during the four years up to the end of March 2015, a sum of £136.9m of savings has been delivered. These arrangements will equip the Council well for dealing with further austerity measures announced as part 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.

16. In April 2014, the Council submitted the County Durham Plan to the Government and this was followed by an examination in public. In February 2015, the Independent Planning Inspector published his interim report rejecting the plan in parts. Following legal advice and further correspondence with the Planning Inspectorate, the Council has submitted an application for judicial review in May 2015 in order to challenge the inspectorate's findings. A decision is expected from the High Court on whether our application for judicial review can proceed in June 2015.
17. 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.
18. 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. Peer challenges were also completed during the year at a service level and in partnerships such as the Local Safeguarding Children's Board, Health and Wellbeing Board and the Youth Offending Service.
19. 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.
20. The Council continues to improve or maintain service delivery and key examples that demonstrate where good governance enabled this during 2014/15 are:-
  - Successfully completed the transfer of ownership of the Council's housing stock to the new County Durham Housing Group Ltd on 13 April 2015, representing a significant opportunity to increase investment in homes, local neighbourhoods and housing services to further improve the lives of tenants;

- Reviewed and updated the Debt Management Strategy. The Strategy has been amended to include specific reference to and provisions for Pension Fund Debtors;
- Established and embedded corporate working groups to co-ordinate the approach to processing debtors and creditors through the Oracle e-Business suite. These groups meet monthly and have helped improve invoice payment performance and adherence to corporate policies and procedures.

21. 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 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 and Accountancy (CIPFA), to facilitate meaningful comparisons with other organisations. The results of these benchmarking exercises demonstrate that the Council compares favourably against other Councils in the majority of cases. Nevertheless, in the context of continuous improvement, the Council assesses any weaknesses identified from these exercises where improvements in performance can be achieved. Independent assurance of our VFM was also gained from our External Auditor, who issued an unqualified VFM conclusion for our 2013/14 Accounts.

22. 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 Corporate Directors and the Assistant Chief Executive during the year. Members have robustly scrutinised the performance of the Council, demonstrated by a number of key scrutiny reviews of Council services during 2014/15, which are outlined in the [Overview and Scrutiny Annual Report](#).

23. The Annual Statement of Accounts was approved by the Audit Committee in September 2014, 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 External Auditor in both their Audit Completion 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.

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

- Financial Awareness training was given to budget holders;
- Phase 2 of the Office Accommodation Programme has commenced and a report is scheduled to go to cabinet in July 2015 setting out strategic options for the future;
- Following its roll out in 2013/14, the Business Intelligence module of the Oracle e-Business Suite is now fully utilised and is providing improved management information, which is recognised in the Finance Customer Satisfaction Survey undertaken in February 2015;
- Rollout of the ICON income management system was completed, leading to improvements in the collection and accounting of income through a range of payment channels;
- An improved robust approach to capital project outputs and financial monitoring was implemented;
- A Procurement Training Programme was developed and delivered to over 100 officers across the Council.

25. A programme management approach for key corporate projects has been established and embedded, supported by project management training across the Council. Examples which demonstrate that rigorous programme management has enabled effective delivery of major projects including the transfer of Community Buildings and the Housing Stock Transfer. 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 demonstrated by the Council being highly commended in the Local Government Chronicle awards for its programme on waste management, recycling and rubbish collection.

26. 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. Following the completion in 2013/14 of a major programme to transfer control of around 100 public buildings to the local community, the Council established the Community Assets programme. A key element of the programme is to work with local communities and our partners to consider alternative ways of continuing to provide front line services within communities, and community organisations



were invited to make expressions of interest to take over or run assets and services within the county.

27. 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**

28. 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.
29. 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.
30. 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 2015.
31. 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](#).
32. 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.
33. 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 in April 2013. 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.

34. 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 Council, which Members considered when setting the budget.

35. The Children Act 2004 requires every top tier local authority to appoint a Director of Children's Services with professional responsibility for the leadership, strategy and effectiveness of local authority children's services. The Council completed a Local Test of Assurance (LTA) in accordance with statutory guidance, and Audit Committee will be asked to approve this in July 2015. The purpose of the LTA is to ensure that the focus on outcomes for children and young people is not weakened or diluted as a result of combining this statutory role with other functions.

36. Members and Officers work together on the work programme 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.

37. Members' remuneration is overseen by an independent panel, and their report was approved by Council in January 2015.

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

38. The key governance documents supporting this principle are the [Constitution](#), the [Council Plan](#) and the Register of Gifts and Hospitality.

39. 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 an ethical framework was adopted accordingly.

40. 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. Internal Audit also completed a review of Gifts and Hospitalities and a report recommending improved arrangements for maintaining registers was approved by Corporate Management Team in March 2015.
41. 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 approved by Corporate Management Team in September 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.
42. The values of the Council are further promoted in the [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 2014/15, 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.
43. During the year, improvements were made to the way the Council uses its powers under the Regulation of Investigatory Powers Act 2000 (RIPA):-
- A new CCTV Policy and Code of Practice were implemented; and
  - Following a favourable inspection by Office of Surveillance Commissioner, two recommendations for improvement were implemented.

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

44. 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 \(Whistleblowing policy\)](#).

45. 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. Amendments made to the Constitution during the year include updated officer scheme of delegations, the inclusion of a civic handbook and an update to the Members' Allowance Scheme.
46. 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.
47. The following improvements to governance arrangements in this area were implemented during the year:-
  - The process for responding to Petitions, which is included in the Constitution, was revised. Overview and Scrutiny Management Board now oversee the status of petitions received;
  - Revised guidance on the Officer Scheme of Delegations was issued;
  - Amended Decision Making Guidance was circulated; and
  - The Local Government Transparency Code was implemented.
48. 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.
49. 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.
50. An updated Counter Fraud & Corruption Strategy was approved by Audit Committee in May 2014. To further strengthen fraud awareness across the Council, training was rolled out to services in 'high risk' areas. Sessions were also delivered to the Audit Committee in July 2014 and through the Durham Managers programme in February 2015. This will continue during 2015/16. Work has also progressed during the year to improve the effectiveness of the Strategy,

which has been strengthened by the formation of the Corporate Fraud Team in December 2013.

51. 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:

- The [County Durham Plan](#);
- Joint Health and Wellbeing Strategy;
- The Council's [MTFP](#);
- Joint Strategic Needs Assessment; and
- Flood Risk Management Authorities flood mitigation plans for County Durham.

52. A number of key in-depth evidence based reviews have also been carried out by Overview and Scrutiny Committees including:

- Organised Crime, looking at community intelligence, illegal waste sites and the potential financial risk to the Council;
- Self-Harm amongst children and young people;
- Tourism Marketing undertaken by Visit County Durham; and
- Customer First Strategy, focusing on ensuring that the Council's key objectives regarding customer service provision are delivered.

53. The Chairs of the Council's Adults Wellbeing and Health OSC and Children and Young Peoples' OSC were interviewed as part of a peer challenge undertaken in respect of the Health and Wellbeing Board. Key issues addressed included how the Health and Wellbeing Board had developed its relationships with the statutory Health Scrutiny Committee and how decisions of the Health and wellbeing Board were subject to robust Scrutiny. Feedback from the peer challenge team stated that Durham is in a strong place and is at the forefront of health and wellbeing boards.

54. A diagnostic review was undertaken on the Local Safeguarding Children Board by the Local Government Association in October 2014 which provided an external view of its effectiveness and impact on safeguarding and protecting children.

55. 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](#).

56. As part of the annual review of the [Constitution](#), the Terms of Reference of the Overview and Scrutiny Management Board and Committees were updated to reflect the refresh of the co-optee appointments. 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.

57. With regard to the Overview and Scrutiny Committees, key points to note include:

- 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;
- Cross party representation on all Overview and Scrutiny Committees serves to promote an independent, non-partisan approach in their activities;
- A Joint Health Scrutiny Committee with Hartlepool and Stockton Borough Councils formally engages and responds to proposals to reconfigure emergency medical and critical care services at North Tees and Hartlepool NHS Foundation Trust.

58. The Police and Crime Panel, which includes councillors from Durham County Council and from Darlington Borough Council, scrutinises the annual report, decisions and actions of the Police and Crime Commissioner (PCC). In March 2015, the Panel approved the refreshed Police and Crime Plan 2015 – 2017. An update on activity from the Panel is presented to each meeting of the Council's Safer and Stronger Communities Overview and Scrutiny Committee.

59. 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.

60. 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.

61. An Audit Charter, which was approved in line with Public Sector Internal Audit Standards (PIAS), is in place. The Council's self-assessment against both the principles of the CIPFA Statement on the Role of Head of Internal Audit and the PIAS, which were presented to Audit Committee in June 2014, illustrates a high degree of compliance.
62. A Corporate Complaints policy is in place for non-statutory complaints, and details of complaints, and of investigations by the Commissioner for Local Administration, have been reported to Corporate Issues Overview and Scrutiny Committee.
63. 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.
64. To strengthen the Council's arrangements for maintaining good-quality information, a number of further improvements to governance in this area have been implemented in 2014/15. For example:
- An online Data Protection Act training module was developed, which the majority of officers had completed by April 2015;
  - Specialist data protection training was delivered for 60 social workers during September and October 2014;
  - Completion of the Information Governance Toolkit for Public Health;
  - Through the continued development and availability of dashboards and use of the Geographical Information System (GIS), the decision making processes have been enhanced;
  - A Data Protection Practical Guide was developed for use within Customer Services; and
  - The Neighbourhoods Service strengthened information governance arrangements by developing Document Retention Registers and updating associated guidelines. The updated guidelines protect both data subjects and staff by stipulating the retention periods for different classes of document and specifying the actions to be taken when those records are no longer of further administrative use.

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

65. The key governance documents supporting this principle are the [Constitution](#); the Member Learning and Development Strategy; Organisational Development Strategy; Health, Safety and Wellbeing Strategy; and the Recruitment and Selection Policy.



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

67. Our approach to Member development is outlined in the Member Learning and Development Strategy, and the Member Learning and Development Policy, both of which were revised in October 2014. Induction training was provided for new Members elected during 2014/15 and individual training and development plans exist for all Members.

68. The Council continues to be a member of the North East Public Service Academy, which promotes excellence in learning across the public sector. Improvements to further develop the capacity and capability of officers during the year include:

- The “The Durham Manager” development programme was enhanced after seeking feedback from managers through a course evaluation and focus groups programme.
- Following extensive consultation, a revised Organisational Development Strategy was finalised in July 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.
- The Mental Wellbeing in the Workplace Policy, procedure and toolkit, which is based on the Health and Safety Executive Stress Standards, has replaced the Stress Management Policy and Toolkit. A focus group was established during 2014/15 with representation from service groupings, public health, trade unions, occupational health, human resources and health and safety, and this group will be involved in reviewing the policy during 2015/16.
- Several improvements have been made to increase the number and quality of individual appraisals undertaken across the Council with a view to enhancing individual and organisational performance, such as performance appraisal training and electronic data management of appraisal documentation. Assurance has been gained through an internal audit of the appraisal process and quarterly performance reports to CMT, which show that completion rates have increased significantly during 2014/15.

69. A revised corporate Health and Safety policy was launched in May 2014, and a revised Health and Safety and Wellbeing strategy was issued in June 2014. Independent assurance over the effectiveness of the Council’s Occupational Health Service was demonstrated when it was 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. The Council also continues to support employees through the change



process with, for example, Jobcentre Plus information sessions and confidential counselling services through the Employee Assistance Programme.

70. A programme of actions has been implemented to improve attendance and the management of sickness absence and associated costs, such as mandatory attendance management training for managers, improved reporting to managers when triggers are exceeded to enable timely action to be taken, and Attendance Management Groups which identify and implement service specific responses to reduce sickness absence. Assurance has been gained through a review of the operation of Attendance Management Groups by service groupings to identify areas of good practice.
71. The Council has taken steps, in consultation with various organisations, including the Royal Society for the Prevention of Accidents, to improve arrangements around managing water safety. A revised Water Safety Policy has been drafted and this will be finalised in June 2015, following consultation with the Council's Water Safety Group and Health, Safety and Wellbeing Strategic Group.

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

72. 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.
73. 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. There are several examples of effective partnership working by the Council, including County Durham Economic Partnership (CDEP). The EU Investment Plan was created through the CDEP and used to inform the strategic approach developed through the Strategic Economic Plan and North East European Structural and Investment Fund (ESIF) Strategy for the effective use of funds to address Durham priorities. Clarity on relationships between the Council and these partners is provided through the County Durham Economic Partnership governance prospectus.
74. 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](#).

75. In achieving Council of the Year at the 2014 Local Government Chronicle Awards, the Council impressed judges with its community engagement arrangements across the Council, collaborative community strategies, a pioneering approach to engaging local communities through area action partnerships and participatory budgeting.

76. 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.

77. 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.

78. The Council's new website, which was launched October 2014, includes much-improved functionality for online interactions with customers. The site has also made it easier for residents to communicate with the Council because of its responsive design, which adapts its display to the type of device being used. Under new website governance arrangements, the Corporate Website Group ensures a co-ordinated approach for any website developments.

79. Following extensive consultation with customers, employees and council members, the implementation of the Customer First Strategy, which aims to put the people it serves at the heart of everything it does, is well underway. In addition to the new website, projects include streamlining telephone numbers and using telephone systems better to provide an integrated call centre. Delivery of the Strategy will be supported by the procurement of a new customer relationship management system, following a review of the existing system.

## REVIEW OF EFFECTIVENESS

80. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Internal Auditor and Corporate Fraud Manager, and also by comments made by the external auditors and other review agencies and inspectorates.

81. Prior to 13 April 2015, we were in a group relationship with East Durham Homes and Dale and Valley Homes and have undertaken significant activities through this group. The main features of their governance arrangements are documented each year through written assurance statements.

82. 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.

83. 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.

84. 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.

85. 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 2014/15. 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.

## **SIGNIFICANT GOVERNANCE ISSUES**

86. 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 2013/14 Annual Governance Statement**

87. Following the production of the Annual Governance Statement for 2012/13, no improvement actions were identified.

## **Conclusion**

88. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2014/15 were sound. As a result of the review of governance arrangements, and the work of both internal and external audit, we have identified one action as being necessary to improve governance arrangements in 2015/16. This is shown in the table below.

### **Governance Improvements required during 2015/16**

#### Proposed Improvements

<b>No.</b>	<b>Actions to be taken</b>	<b>Lead Officer</b>
1	Production of County Durham Plan Strategy in response to interim report from Planning Inspector	Head Of Planning and Assets, Regeneration and Economic Development

**Signed:**

Simon Henig  
Leader of Durham County Council

George Garlick  
Chief Executive

Don McLure  
Corporate Director, Resources