

Audit Committee

01 June 2018

Draft Annual Governance Statement for the year April 2017 – March 2018



Report of Corporate Management Team Report of John Hewitt, Corporate Director Resources

Purpose of the Report

- 1 To seek approval of the draft Annual Governance Statement (AGS) for 2017/18, attached in appendix 2. Audit Committee will be asked to approve the Final AGS on 30 July 2018.

Background

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts.
- 3 The Corporate Director, Resources is responsible for co-ordinating and overseeing 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. The draft AGS is included in **Appendix 2**.

Outcome of the Review of Effectiveness

- 4 The outcome of the review of effectiveness is set out in the AGS and concludes that the Council's corporate governance arrangements in place during 2017/18 were fit for purpose in accordance with the governance framework.

Issues for consideration

- 5 The AGS should also highlight any areas where governance arrangements must be further improved, for example, through enhancements to existing arrangements as part of continuous improvement or from an identified weakness. With regard to the latter, there is no formal criteria of what constitutes a significant weakness requiring action. Guidance issued by the Chartered Institute of Public Finance and Accountancy helps the Council to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category. Factors which may be helpful in exercising that judgement include:

- a) the issue has seriously prejudiced or prevented achievement of a principal objective;
- b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- c) the issue has led to a material impact on the accounts;
- d) the Audit Committee, or equivalent, has advised that it should be considered significant for this purpose;
- e) the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- f) the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- g) the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

6 The review also concluded that eight actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2018/19.

Recommendations and reasons

7 Audit Committee is requested to:

- a) Approve that actions 1 to 8 in appendix C are included in the plan of improvements to strengthen governance arrangements during 2018/19; and
- b) Approve the draft Annual Governance Statement.

Appendix 1: Implications

Finance

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

Staffing

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

Risk

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

Equality and Diversity/ Public Sector Equality Duty

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

Accommodation

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

Crime and Disorder

None.

Human Rights

None.

Consultation

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

Procurement

None.

Disability issues

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

Legal Implications

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

Appendix 2: Annual Governance Statement 2017/18

INTRODUCTION

1. This statement meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its Local Code of Corporate Governance for the year ended 31 March 2018.

CONTEXT

2. Summarised information relating to the constitution, structure, budget and services provided by Durham County Council, along with key statistical information about County Durham can be found on the [About Us](#) page on the Council's website.

SCOPE OF RESPONSIBILITY

3. 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.
4. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, 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.
5. 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 and performance.
6. In April 2018, 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".

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. The governance framework comprises the systems, processes, 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 sustainable economic, social and environmental benefits for the people of County Durham.
8. 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 occurring and the impact should they occur, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place across the Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

10. The key elements of 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 seven core principles of the CIPFA/ SOLACE Framework.
11. 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 April 2018.
12. 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](#).
13. 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 2017/18.

REVIEW OF EFFECTIVENESS

14. 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.

15. 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

16. 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 AGS to demonstrate how far the Council complies with the principles of good governance and recommending improvements.
- Internal Audit provides independent assurance on the effectiveness of the corporate governance framework;
- External Audit provides an independent opinion on whether the AGS is materially accurate.

17. The review was also informed by a statement provided by each Corporate Director 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.

18. The Chief Internal Auditor and Corporate Fraud Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which will be incorporated in the Annual Internal Audit Report to the Audit Committee in June 2018. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to give substantial or moderate assurance, except in 22 cases where limited assurance was reported. In the main, these issues related to specific areas and did not reflect weaknesses in the underlying governance arrangements. However, the procedure for approving payments to agency workers across the Council is disclosed as an area requiring improvement. The necessary changes have been implemented however, it is essential that these are closely monitored across the coming year to ensure they are effective.

19. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2017/18 is included in **appendix A**. An update on improvements identified in the 2016/17 Annual Governance Statement is included in **appendix B**.

CONCLUSION

20. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2017/18 were fit for purpose in accordance with the governance framework. As a result of the review of governance arrangements, and the work of both internal and external audit, we have identified eight actions as part of ongoing improvements to further strengthen governance arrangements in 2018/19. These are shown in **appendix C**.

APPROVAL OF ANNUAL GOVERNANCE STATEMENT

Signed:

Simon Henig
Leader of Durham County Council

Terry Collins
Chief Executive

John Hewitt
Corporate Director, Resources

APPENDIX A: Governance Arrangements during 2017/18

A full description of the Council's governance arrangements is set out in the [Local Code of Corporate Governance](#). Aligned to the seven principles of good governance, the following paragraphs provide a detailed account of how the Council's governance arrangements have operated during 2017/18.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with integrity

1. The [register of gifts, interests and hospitality for members](#) is available online. Staff declarations are maintained and monitored by their Head of Service.
2. Updated versions of the Anti-Money Laundering Policy, the [Counter Fraud & Corruption Strategy and Fraud Response Plan](#) will be presented to Audit Committee for approval in May 2018.

Demonstrating strong commitment to ethical values

3. The [annual report of the Standards Committee](#) was presented to Council in September 2017.
4. Remuneration for heads of service was revised using the Local Government Employers Evaluation Scheme, with support from the North East Regional Employers Organisation.

Respecting the rule of law

5. Following approval by the Council, a new Head of Legal and Democratic Services, the Council's Monitoring Officer under section 5 Local Government and Housing Act 1989, was appointed by the Chief Executive Officer and the Corporate Director of Resources in consultation with the Leader of the Council.
6. In January 2018, the Council agreed to a [members' allowance scheme for 2018/19](#), taking into account the views of the independent remuneration panel, which the Council is required by law to establish and maintain.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

7. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence are provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure that the impact and consequences of those decisions are clear. These commitments are demonstrated by decisions made by Cabinet to approve the following reports:-

- (a) Proposed changes to the [non-residential charging policy](#) for individuals who receive social care services and are assessed to determine their financial contributions towards their care costs.
- (b) Proposal, in the midst of financial challenge being experienced by schools across the county, to implement a [strategic review of educational provision](#) on a locality basis, to achieve an appropriate mix and number of high performing, financially sustainable schools.
- (c) Proposed masterplan, for [Aykley Heads strategic employment site](#) (the site currently occupied by County Hall), to attract over 6,000 jobs, including setting out the implications of the decision.

Engaging comprehensively with institutional stakeholders

- 8. The Leader of the Council is the chair of the County Durham Partnership, which is the strategic partnership covering most partnerships in County. The Council continues to engage in the North East Local Enterprise Partnership and Combined Authority, taking a regional perspective and seeking to work across broader partnerships to secure investment. Under the same programme, a review of partnerships has commenced, with the aim of moving this aspect of working from good to great through efficiencies, sharing resources and seeking to ensure that the county has a louder, stronger voice.
- 9. The [Aykley Heads redevelopment plan](#) is supported by a number of regional organisations including the North East Local Enterprise Partnership and North East England Chamber of Commerce, as well as Durham University. In the attached [video](#), organisations and key business leaders in the area explain why this development is important for the future of Durham.
- 10. Efforts are being made through collaboration on the two [NHS Sustainability and Transformation Plans \(STP\)](#), which were presented to Adults, Wellbeing and Health Overview and Scrutiny Committee in March 2017, to ensure that the benefits of health and social care integration are maximised for County Durham residents. The STPs, which form part of the five year plan for the health service, aim to bring organisations together to develop a shared plan for better health and social care.
- 11. [DurhamWorks](#) is a partnership programme between the Council and 16 other organisations, working together to support young people into education, training or employment. When funding ends in July 2018, the aim is to have supported nearly 6,000 County Durham young people. [DurhamWorks](#) also supports local employers. Business advisors are on hand to offer tailored support and advice, including financial support to small or medium sized businesses looking to take on a young person.
- 12. A report to Cabinet in November 2017 outlined the findings of the evaluation of the first year of delivering resettlement support under the Syrian Vulnerable Persons Resettlement Scheme through the [humanitarian support partnership](#) and considered future support for the programme. The partnership was shortlisted in the Municipal Journal awards in the delivering better outcomes category.

13. [Digital Durham](#), which aims to provide homes, businesses and communities with access to fast, fibre based broadband, won the [Public Sector Project of the Year](#) award at the Dynamites 17 awards. A total of more than £34million has been invested in a bid to improve broadband across the region. The Dynamites are hosted by Dynamo and are the North East's IT and Technology awards. The judging panel said, "We were impressed with the collaboration between ten of the twelve councils in the North East to transform broadband speed in the region".

Engaging with individual citizens and service users effectively

14. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
15. The new [Transformation Programme](#) was informed by consultation with members, employees, trade unions and focus groups. The Council also consulted with the public and stakeholders as part of the [Medium Term Financial Plan \(MTFP\)](#) development, and sought views on the 2018/19 approach and the individual savings proposals. In total, the council engaged over 3,300 people and received 1,175 responses. Overall, 78.1% of respondents stated the approach to making future savings is a reasonable way to go forward in 2018/19.
16. The Council uses various channels of communication and feedback mechanisms to reach out to and meet the needs of its communities. Fourteen [Area Action Partnerships \(AAPs\)](#) are fully engaged with the community in identifying and addressing local priorities, and utilising locality budgets to drive improvements to the local area.
17. A significant County Durham Partnership success highlighted in the October 2017 Cabinet report was the official opening of a [new leisure facility in Crook](#). In 2013, the county's largest participatory budget event, attracting over 1,300 participants, selected a proposal to create a new leisure by investing £500,000 of council funding. The community-led project has also attracted external funding from Sport England and the Social Investment Bureau. Membership numbers for the centre are already positive and it is anticipated that a number of jobs will also be created.
18. The Safe Durham Partnership's [Dying to be Cool](#) campaign won a national [Municipal Journal Achievement Award 2017](#) for Excellence in Community Engagement, and has now prompted the Local Government Association to call on the Government to make teaching children about cold water shock compulsory.
19. [Operation Spruce Up](#) is an environmental campaign in which Council teams work with partners, including more than 4,000 children and young people, to give one town or village centre an intensive clean up each month. The scheme won national recognition, having landed the prestigious title of 'campaign of the year' at environmental charity [Keep Britain Tidy's Network Awards 2018](#). On the back of this success, the Council has extended the programme's initial 14 month run.

20. [Durham County News](#), the Council's magazine for residents is issued to every household in the County four times a year in line with the [recommended code of practice for local authority publicity](#).
21. The Inspiring Voice pilot commenced in January 2018 for 12 weeks. Employees are invited to take part in live daily challenges, providing them with the opportunity to suggest ideas, solve problems and to help shape and transform the future of the Council.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Defining outcomes

22. The Council conducts a number of strategic assessments of need, which have been brought together into an [Integrated Needs Assessment](#) (INA). This brings together the evidence base and a wide range of strategic assessments to inform strategic planning across the council and by the county's thematic partnerships. The [INA](#) provides links to data, analysis, external frameworks, local profiles, strategies and plans relevant to life in County Durham. An online [data mapping site](#) is being developed.
23. In October 2017, Cabinet received a report informing them of progress in the Council's [Transformation Programme](#), which has been reshaped by the results of a 'deep dive' review. Price Waterhouse Cooper were engaged to seek areas for improvement and suggest areas where additional savings could be found.

Sustainable economic, social and environmental benefits

24. The Overview and Scrutiny Management Board, supported by its five committees, makes decision-making processes transparent, accountable and inclusive and seeks 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 [Open Water Safety](#) and the [Homelessness Strategy](#).
25. Despite sustained, large-scale Government spending cuts and rising demand for services, the MTFP seeks to deliver some very positive outcomes for the people of County Durham, including:-
- (a) Significant investment in line with the Council's highest priority of regeneration in order to protect existing jobs and create new jobs;
 - (b) Significant further investment in children's and adults social care services to meet demand pressures and invest in prevention;
 - (c) Continued support to protect working age households in receipt of low incomes through the continuation of the Council Tax Reduction Scheme;
 - (d) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people; and

- (e) Continued work with community groups through the 'Durham Ask' initiative to transfer council assets so that they can be sustainable into the future.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining and planning interventions

26. The Council ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, in order to secure best value regardless of the service delivery method. Two examples are:-
- (a) The Cabinet report in January 2018 on the [proposed masterplan for Aykley Heads strategic employment site](#) (the site currently occupied by County Hall), which also set out the implications of the decision; and
 - (b) The Cabinet report in September 2017 on the [tender process for drug and alcohol services](#).
27. The Council operates robust decision-making mechanisms that include an assessment of associated risks and these have enabled outcomes to be achieved in various, innovative ways. For example, Chapter Homes was created by the Council in 2015 to improve the county's housing offer by providing well-designed, quality homes that meet the needs of people wanting to buy or rent in County Durham.
28. A range of controls have been implemented for the Council's commercial companies and joint venture arrangements, appropriate to the specific entity, to ensure that effective governance arrangements are established and maintained. Examples include:-
- (a) Contributing to the attainment of the company's business objectives by providing strategic and financial guidance to ensure that the company's financial commitments are met, to ensure the sound financial management and control of the Company's business, and to support future growth of the company.
 - (b) Provision of a Finance Director or Chief Financial Officer.
 - (c) Requiring annual reports on operations and performance to be brought to the Council, as a shareholder, through Corporate Management Team and, where considered necessary, Cabinet.
 - (d) Financial management support to ensure that annual accounts are prepared and submitted appropriately with HMRC and Companies House, and that they are independently audited.
29. [Business Durham](#), the Council's economic development arm, was shortlisted in the Innovation in Finance category of the Local Government Chronicle awards for the Finance Durham project.
30. The [Medium Term Financial Plan 2018 - 2022 \(MTFP\)](#) was approved by the Council in February 2018. 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](#).

Optimising achievement of intended outcomes

31. Assurance over the delivery of the [Council Plan](#) and the [MTFP](#) is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT) and, during the eight years up to the end of March 2018, a sum of £209m of savings has been delivered. The Council's strategy for the last five years has been to protect front line services as far as possible and the 2017/18 proposals are in line with this strategy. To ensure that front line services can be protected wherever possible, the [Transformation Programme](#) seeks to ensure that all options are explored. 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.
32. The [Transformation Programme](#) reports to a Transformation Board, consisting of Cabinet members and the Corporate Management Team, chaired by the Leader of the Council. It is co-ordinated through a Steering group made up of senior officers leading on aspects of the programme and chaired by the Director of Transformation.
33. A report to Cabinet in September 2017 gave an [update on welfare reform and poverty issues](#), with a particular focus on Universal Credit and child poverty. Since 2011, there has been increased demand for welfare-related services, including advice and assistance, applications for discretionary housing payments and welfare assistance, foodbank and charity referrals and personal financial action planning. The Council has established a specific portfolio holder for welfare reform on the Cabinet, a Poverty Action Steering Group (PASG) and a Child Poverty Working Group. Through the PASG, the Council continues to develop its partnership-based approach to understanding and tackling poverty and welfare related issues.
34. The [County Durham Partnership](#) has agreed to join up a range of workstreams on the Prevention agenda to have a greater impact on health, education, employment, and work with children and young people. It was agreed to establish three workstreams: Building on Best Practice; Maximising Funding and Meeting Local Needs, and to set up a cross partnership steering group.

Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it

Developing the Council's capacity

35. Inspire, which is part of our [Transformation Programme](#), seeks to use modern ways of working to improve the services we provide our customers, making the most of our buildings, and providing the best environment and technology for

employees. Desk-based employees have been given access to software that allows them secure, remote access to the Council's computer systems, including from home, which reduced the impact of severe weather conditions during February and March 2018.

36. Work is well underway to transform office accommodation at each of the Council's sites, leading to a more productive and creative workforce and reduced travelling times. Modern, open plan spaces allow more flexibility, with printers, recycling bins and stationery being centralised on each floor. New technology, such as video conferencing and mobile working, is increasingly being used.
37. A review of the head of service structure was undertaken, informed by work on the [Transformation Programme](#), which identified that two crucial aspects underpin the transformation agenda: cultural change linked to organisational development and the human resources service; and our digital/customer experience strategy. These areas have a significant role to play in ensuring the foundations are in place for the Council to move forward and provide key support to the [Transformation Programme](#) and the evolution of all of the Council's services over the coming years, and ensure that the Council is equipped to take advantage of the investment made into the Apprenticeships Levy.
38. The newly-created Head of People and Talent Management post leads the management and development of a responsive, modern and strategic service. This post provides effective on-going support to managers to ensure that the Council has the right people in the right place at the right time and plays a key role in supporting the Council's transformation journey and cultural development programme.
39. Aligning customer services and ICT through a newly created post of Head of Digital and Customer Services post plays a key role in leading the digital agenda and supporting the transformation journey, including responsibility for the Council wide provision and management of customer services.
40. The newly-created Head of Transformation leads the development and delivery of a comprehensive internal and external [Transformation Programme](#) as well as the cultural change programme.
41. Other proposed changes include a renewed focus on children and young people's services and council wide roles in relation to strategy, communication and information management, and partnerships and community engagement, which reflect the on-going unitisation of services.
42. The Council is also taking part in the Local Government Association's National Graduate Development Programme with four graduates starting with the Council in September 2017.

Developing the capability of the Council's leadership and other individuals

43. The [Transformation Programme](#) report to Cabinet in October 2017 confirmed that, following a restructure of the Corporate Management Team, a restructure of the Council's Extended Management Team (EMT) (heads of service) was

completed in June 2017. The new EMT gives additional focus to the digitisation of process and ICT systems management, strengthens our capacity to lead organisational change and manage our people and gives additional focus to our work to support looked after children.

44. Following the introduction of the Apprenticeship Levy, the Council has taken on 130 new apprentices. An apprenticeship audit is being undertaken across service areas to identify future needs. Guidance on Employing an Apprentice and Accessing the Apprenticeship Levy provides managers with key information about the levy, including the process for recruiting an apprentice and the regulations which govern that process.
45. The Council is committed to continually reviewing the development needs of members and officers and continues to be a member of the North East Public Service Academy, which promotes excellence in learning across the public sector.
46. Employees' needs, in terms of training, development, health and wellbeing, are delivered through the Organisational Development Strategy and the Health, Safety and Wellbeing Strategy. The Council continues to support employees through the change process with, for example, Jobcentre Plus information sessions and confidential counselling services through the Employee Assistance Programme. An intranet page has been specifically created for employees in relation to mental health and wellbeing and provides support and guidance for managers and non-management employees.
47. Officers in the Transformation and Partnerships team completed intensive refresher training in Lean business processes and worked closely with colleagues in children's services to identify improvement opportunities. This work helps support the wider programme of improvements across children's services as a whole and helps in our learning for future reviews in the council.
48. Over 3,700 people responded to the Working Well staff survey, the highest response yet. Employees were asked for their views on communications, flexible working and employee health and wellbeing. Almost three in four agreed that their working time is flexible and just over 70% said the council tries its best to help employees to agree working arrangement to meet their needs. For the first time in the survey, the Health and Safety Executive's recommended questions on work-related stress were included, enabling comparison with other organisations. Survey findings are being used to identify priority actions and inform the Inspire programme, the Council's new organisational development strategy and action plan to achieve the Health at Work Award.
49. The Great Staff, Great Stuff Awards 2017 had a new look to reflect the aspirations of our Inspire [Transformation Programme](#) and recognise a broader range of people and projects. Three new categories were introduced, including an award for unsung heroes and a Special Recognition Award, which was chosen by the leader of the council from nominations made by the corporate directors and their service management teams. A Young Employee of the Year

Award now replaces the Apprentice of the Year category, allowing for the excellent work of all staff under 25 years old to be recognised.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

50. Risk management continues to be embedded in decision making and key business processes and the Risk Management Policy and Strategy, which defines key roles and responsibilities and is reviewed annually, underpins this. The Audit Committee has gained assurance that the Council's strategic risks are being effectively managed through reports issued in [July 2017](#), [November 2017](#) and [March 2018](#).
51. The Council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. The arrangements for managing the risk of such events are explained, and a copy of the latest Community Risk Register can be found, on the [Local Resilience Forum](#) web page. One of the intended outcomes of the Council's [Transformation Programme](#) is to help make communities become more self-reliant and resilient, so the Council's website includes advice for [business and care services on planning for emergency situations](#).
52. Several challenges and uncertainties lie ahead and these are being monitored through the Council's strategic risk management reporting arrangements:-
- (a) The implications of from the UK leaving the European Union, including the position of EU citizens living in the UK and UK nationals living in the EU.
 - (b) Capacity issues caused by nationwide hard-to-recruit posts in children's social care.
 - (c) Funding pressures in adult social care.

Managing performance

53. The [County Durham Partnership](#), which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners, driven forward by thematic partnerships set around the five priority themes. Its' role includes monitoring performance towards implementing the [Sustainable Community Strategy](#) (SCS), and considering strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning. In October 2017, Cabinet received an [update from the County Durham Partnership Board](#). Overall performance for the Partnership and Council for 2016/17 showed that whilst, there are positives such as employment and education rates increasing and lower than national crime figures per 1,000 population, there are still significant demand pressures. These include the poverty and deprivation gap, a significant increase in numbers of looked after children and an aging population.

54. 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](#) and through performance clinics between the Chief Executive, individual Corporate Directors and the Director of Transformation and Partnerships during the year. A number of reviews have also been carried out by Overview and Scrutiny Committees including cybercrime and the [role of the social worker from a child's perspective](#).
55. To manage and measure service improvement, the Council has a locally led planning and performance management framework that links to the [SCS](#) and the [Council Plan](#). To ensure that attention remains focused on Council priorities, a review of these arrangements was initiated under the [Transformation Programme](#). This seeks to reduce the number and size of plans and strategies and develop an approach to performance management that answers key performance questions rather than rely on performance indicators. Quarterly reports are more concise, using a dashboard style with shorter narrative, and attention is moving towards analysing and developing insights from the performance data.
56. The Quality Improvement Board is chaired by the Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality. The Board oversees the implementation of the Ofsted improvement plan and, in September 2017, provided Cabinet with an [update on progress](#) since the inspection in 2016. In July 2017, Cabinet was informed of the outcome of a [self-evaluation](#) of local area special education needs and disability reforms.
57. 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. An update on activity from the Panel is presented to each meeting of the Council's [Safer and Stronger Communities Overview and Scrutiny Committee](#).

Robust internal control

58. Risk management and internal control are acknowledged as integral parts of the Council's performance management framework and crucial to the achievement of objectives. To reflect this, internal audit continuously reviews risks with reference to strategic objectives, and a register of strategic risks is compiled linking each item to the relevant strategic objective. Internal audit progress updates were provided to Audit Committee in [June](#), [September](#) and [November 2017](#), and in [March 2018](#).

Managing data

59. The council has an Information Governance Group, with representatives from all services, which meets regularly and formulates regulatory responses to the Information Commissioner's Office and handles day-to-day management issues around information governance. A cross-service working group of around 20 officers has been set up to oversee the introduction of the General Data

Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018. In January 2018, the Head of Communications and Information Management was formally designated the Data Protection Officer under the General Data Protection Regulation.

Strong public financial management

60. The Council has appointed the Corporate Director Resources as Chief Financial Officer and Section 151 Officer (Local Government Act 1972) to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Financial Officer, who is a member of the Corporate Management Team (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.

61. In March 2018, an update was given to Audit Committee on the Council's [accounting policies](#) to be applied in the preparation of the 2017/18 Statement of Accounts. The following reports provide assurance that the Council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance:-

- (a) [Treasury Management Outturn 2016/2017](#)
- (b) [Final Outturn for the General Fund and Collection Fund 2016/17](#)
- (c) [Update on the delivery of the Medium Term Financial Plan 6](#)
- (d) [Update on the delivery of the Medium Term Financial Plan 7](#)
- (e) [Report under Section 25 of Local Government Act 2003 - Reserves](#)

62. The closure process of the 2016/17 accounts was utilised as a practice run for the new, earlier statutory account closure deadlines being implemented for the 2017/18 accounts. The target deadline of 31 July 2017 was not achieved because the External Auditor reported one significant issue, which delayed their opinion. After further testing, the necessary assurances were provided and the accounts were signed off by the statutory deadline of 30 September 2017.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practice in transparency

63. The council has an approach to open data and has been publishing open datasets through the [Data Mill North](#) website. In response to the Local Government Transparency Code, a [transparency and accountability web page](#) was set up and the Council's Asset Register is now publicly available on the Council's website. As required by law, the sum paid to each county councillor is also published.

64. Reports about complaints against members are now included in part A of the Standards Committee agenda rather than part B (consideration of exempt or confidential information).

Implementing good practices in reporting

65. The [Local Code of Corporate Governance](#) was reviewed and updated in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, before being approved by Audit Committee and Full Council.

66. The [Statement of Accounts 2016/17](#), incorporating the Annual Governance Statement, was approved by the Audit Committee in September 2017, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2015. External Audit also provides an independent opinion on whether the Annual Governance Statement is materially accurate.

67. The Council's commitment to regular reporting to stakeholders on performance, value for money and stewardship of resources is evidenced throughout this statement. Other examples include:-

- (a) [Annual report of the Director of Public Health 2016/17](#)
- (b) [Safeguarding Adults Board Annual Report 2016-17](#)
- (c) [Health and Wellbeing Board Annual Report 2016/17](#)
- (d) [Children and Young People's Services Annual Reports and Plans](#)

Assurance and effective accountability

68. A [review of the effectiveness of Internal Audit](#), incorporating the Internal Audit Service and the Audit Committee, has been undertaken and was reported to the Audit Committee in June 2018. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor and Corporate Fraud Manager to be relied upon.

69. Revised versions of the [Internal Audit Strategy, Charter and Plan for 2017/2018](#) were approved by Audit Committee in June 2017.

70. Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services:-

- (a) [External Audit, Annual Audit Letter 2016/17](#)
- (b) [External Audit, Audit Completion Report Year Ended 31 March 2017](#)
- (c) [External Audit, Audit Strategy Memorandum, February 2018](#)
- (d) Chartered Institute of Payroll Professionals, who awarded our HR Operations and Data Team the Payroll Assurance Scheme accreditation.

APPENDIX B: Update on improvements identified in the 2016/17 Annual Governance Statement

Following the production of the Annual Governance Statement for 2016/17, five improvement actions were identified for 2017/18.

No.	Actions to be taken	Lead Officer	Update
1	Assurance on the delivery of the Children's Services improvement plan will be provided through regular progress updates on the work of the Quality Improvement Board (QIB) and the status of the tasks. Reports will be submitted to Corporate Management Team, Cabinet, the Local Safeguarding Children's Board, and relevant Council Committees and partners.	Corporate Director, Children and Young People Services	The QIB, led by the Corporate Director, Children and Young People's Services, was established to lead, oversee and monitor progress of the improvement plan, following the Ofsted inspection in 2016. The Lead Member received regular reports on the progress of the QIB through briefings from the Corporate Director and at the Transformation Board. A report entitled 'Quality Improvement Board One Year On' was presented to Cabinet in September 2017 and provided an analysis of progress to date. This report was also discussed at the Local Children's Safeguarding Board on 12 th October 2017.
2	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework.	Corporate Director, Regeneration and Local Services	The timetable for the continued preparation of the CDP was agreed by Cabinet in November 2017. The next step in the process, the Preferred Options, is going to Cabinet for approval for consultation by July 2018. The draft National Planning Policy Framework was published in March 2018 and is being taken into account in the policies and proposals in the CDP. Following the consultation on the Preferred Options, the comments received are being taken into account, with the publication of the submission due towards the end of the year.
3	Implement revised governance monitoring arrangements for companies in which the Council has a legal interest to ensure that they are fit for purpose.	Corporate Director, Resources	The revised governance monitoring arrangements are described in paragraph 29 of this statement.
4	Implement arrangements to ensure that the Council complies with the General Data Protection Regulations 2018.	Director, Transformation and Partnerships	A cross-service working group of around 20 officers has been set up to oversee the introduction of General Data Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018.

5	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective.	Corporate Director, Resources	<p>Various controls have been implemented to strengthen the arrangements for payments to agency workers. These include:-</p> <ul style="list-style-type: none"> (a) Quarterly analysis reports to each Service Management Team and Corporate Management Team, including recommended actions to address non-compliance with agreed processes. (b) Enhancements to the Agency workers computer system in relation to approvals and mandatory training for all users. (c) Automated email to the hiring manager/timesheet approvers once a timesheet is ready for approval and improved access to the timesheet to approve through a link embedded in the email. (d) Extended deadlines for managers to approve timesheets. (e) Facility to delegate approvals to an alternative manager in the event of absences. <p>There are still some concerns over the level of auto-approval of agency worker timesheets, which is attributed to non-compliance issues within some service management areas.</p>
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APPENDIX C: Proposed Governance Improvements required during 2018/19

As a result of the review of governance arrangements, and the work of both internal and external audit, eight improvement actions have been identified to further strengthen governance arrangements in 2018/19. These are shown in the table below.

No.	Actions to be taken (cross-reference)	Links to the Local Code of Corporate Governance (ref)	Lead Officer
1	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework (brought forward).	The Council endeavours to ensure that members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. It also seeks to create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements (4.14).	Corporate Director, Regeneration and Local Services
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (paragraph 22 & 23).	Defining outcomes in terms of sustainable economic, social, and environmental benefits (4.24 – 4.29).	Head of Strategy
3	Develop a corporate approach to the Prevention agenda to have a greater impact on health, education, employment, and work with children and young people (paragraph 34).	Optimising the achievement of intended outcomes (4.34)	Head of Partnerships and Community Engagement
4	Review the Council's asset management arrangements with a view to adopting the Corporate Landlord model, which is seen as best practice in local government (paragraphs 35 & 36).	Ensuring the continuing effectiveness of operations, performance and use of assets (4.37).	Head of Planning and Assets
5	Establish a combined and integrated management board with direct service delivery of NHS community and adult social care services being overseen by a Chief Officer on behalf of all partners (paragraphs 10, 53 to 55).	Ensuring that service delivery is effectively monitored (4.52).	Director of Public Health & Head of Adult Care
6	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective (paragraph 58).	Aligning the risk management strategy & policies on internal control with achieving objectives, as well as regularly evaluating and monitoring risk management and internal control (4.55).	Corporate Director, Resources

No.	Actions to be taken (cross-reference)	Links to the Local Code of Corporate Governance (ref)	Lead Officer
7	Ensure data protection changes including GDPR compliance are implemented (paragraph 59).	Ensuring that effective arrangements are in place for the safe collection, storage, use and sharing of data, including decision making and processes to safeguard personal data (4.57).	Head of Communications and Information Management
8	MTFP and Financial Strategy Group for Education will monitor progress on the implementation of the strategic review of educational provision to ensure that the intended outcomes are achieved (paragraph 7b).	Optimising the achievement of intended outcomes with robust mechanisms for making decisions, which are reviewed continually (4.34).	Corporate Director, Children and Young People Services