
CORPORATE GOVERNANCE – UPDATE REPORT

SUMMARY REPORT

Purpose of the Report

1. To report progress on the application of Corporate Governance within the authority.

Summary

2. Darlington’s current Local Code of Corporate Governance was approved by Council in January 2008 and the Code requires a half yearly report to the Audit Committee to enable Members to consider whether the management processes defined in the Code are actually being adhered to throughout the organisation.
3. The report outlines that the key documents/functions that comprise the governance framework have been updated on the intranet with hyperlinks created within them to relevant supporting documentation, chronicles examples of advances made and concludes that, overall, positive progress is being made on the application of Corporate Governance within the Authority.

Recommendation

4. It is recommended that the report be noted.

Reasons

5. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council’s governance arrangements.

**Paul Wildsmith
Director of Resources**

Background Papers

1. Report to Council: Corporate Governance 31.01.08
2. Previous Update reports to the Audit Committee
3. CIPFA/SOLACE Publication – ‘Delivering Good Governance in Local Government: Framework’

Brian James: Extension 2140

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Overview

6. In 2002, Darlington adopted a Local Code of Corporate Governance based upon the CIPFA/SOLACE publication issued in 2001 entitled 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework'.
7. CIPFA/SOLACE reviewed their original publication in 2007 to reflect the fact that local government has been subject to continued reform to improve local accountability and engagement. Their revised publication entitled 'Delivering Good Governance in Local Government: Framework' is the basis of Darlington's current Local Code that was approved by Council in January 2008 following endorsement by this Committee.
8. The Local Code requires a half yearly report to the Audit Committee to consider the following: -
 - (a) whether any aspects of the Local Code need to be specifically reviewed or updated; and
 - (b) to ensure that Members are satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation.

Background Information

9. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
10. The core principles of good governance are:
 - (a) focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
 - (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - (c) promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - (d) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - (e) developing the capacity and capability of Members and officers to be effective; and
 - (f) engaging with local people and other stakeholders to ensure robust public accountability.

11. The Council supports these principles fully and its Local Code is a public statement of commitment to them and sets out how that commitment will be met.
12. In order to show good practice in relation to Corporate Governance, the authority must assess itself against the six core principles listed in paragraph 10. To do this, the key documents and functions and their contribution to each core principle have been detailed in the Local Code. The documents themselves are process driven and are continually updated as the Local Code is in itself not a one-off piece of work, but a fluid document.
13. To reflect the process driven approach to Corporate Governance, three distinct types of actions have been identified:
 - (a) awareness – making sure that everyone who needs to know about the document/function does know about it;
 - (b) monitoring – ensuring that the duty is carried out; and
 - (c) review – parts of the Local Code will continue to evolve and develop as local government modernisation continues and legislation changes. Review actions ensure that all parts of the Local Code are reviewed in the light of effectiveness and emerging good practice.

Information and Analysis

14. The Council's external auditors, PricewaterhouseCoopers (PwC) have recognised the Local Code as a key management tool for strengthening and improving the Council's corporate governance arrangements.
15. Specific training on the key documents and functions within the Local Code is included periodically within both officers and Members Training and Development Programmes.
16. The key documents/functions of the governance framework have been updated on the intranet with hyperlinks created within them to relevant supporting information. <http://intranet/Resources/Finance/corpgov/documents/> Progress made includes the following.

Sustainable Community Strategy (SCS)

17. Cabinet, Council and Darlington Partnership collectively approved a new long term SCS for the borough 'One Darlington: Perfectly Placed' in March 2008. Adoption followed an extensive and inclusive development period with phased engagement, prioritisation, drafting and consultation. As a result the SCS is widely owned with good awareness among members, employees and partners. Since adoption, long term targets have been developed, and performance management arrangements initiated to monitor progress. SCS outcomes have been reviewed using an Outcomes based methodology across the Council's business planning framework. Though the Coalition Government has removed the necessity for an SCS, the Council and Darlington Partnership have re-endorsed One Darlington: Perfectly Placed as the right vision for the Borough. In addition, Darlington Partnership is in the process of revising its structure and the way it operates. The objective is to enable the Council to work with its partners in having a much clearer collective focus on priorities. As part of the restructure, private sector organisations are working with the

Council to consider how they can plan together more effectively around the outcomes of the SCS and how they can co-ordinate the commissioning of services better.

Performance Management

18. The Government has abolished the National Indicator Set and associated Place Survey. It has, in its place, published a Single Data List which sets out all the statutory data returns required from Local Government to Central Government. Some of this data was previously used in the calculation of National Indicators. In response to these external drivers and the management restructure all Council performance indicators have been reviewed utilising an Outcomes Based Accountability methodology and realigned to the new Group structure.
19. A review of performance monitoring arrangements has been completed by the Improvement Network and, subject to the approval of the Chief Officers Board, is to be introduced in the new year. Work is also taking place to establish what bespoke information is required by Scrutiny Committees to support their work programmes.

Service Planning

20. Following the internal restructure Service Plans produced in 2010 covering the period up to 2014 have been retained and refreshed at the discretion of individual service groups dependent on their own business requirements. New service plans to be produced from April 2012 will focus improvement planning actions on the key performance indicators included within the new suite of performance measures together with the actions emanating from a new Corporate Plan.

Complaints Process

21. The Council now has robust procedures in place for the handling and recording of all corporate, adult and children's social care complaints, compliments and comments. Staff have been trained and the Council has been able to drive down the number of complaints received. Examples of organisational learning resulting from complaints received were referred to in the Complaints Annual Report for 2010/11 reported to Cabinet in September, 2011.
22. While the overall number of complaints received was down from the previous year the number of people exercising their right to refer their complaint to the Local Government Ombudsman (LGO) actually increased. This is reflected nationally as highlighted in the LGO's Annual Report 2010/11 – Delivering Public Value. The LGO expects this upward trend to continue in light of the pressure on public services in the current financial climate. While more people chose to exercise their right to refer their complaint to the LGO the Council did not receive a single maladministration report and saw an increase in the number of no maladministration decisions. This is a testament to the robust procedures implemented by the Council in relation to complaints handling and the fair and consistent approach it takes when dealing with complaints.

Social Inclusion and Equalities

23. The way the Council approaches the social inclusion agenda is now through the One Darlington priority of the SCS. The Equality Act 2010 has brought a change of emphasis to the Council's equalities work. The single Public Sector General Duty has replaced the separate Race, Gender and Disability duties. For the time being the Corporate Equalities Review and Plan and the separate Race, Gender and Disability Equality Schemes continue to provide the Council's policy framework until a Single Equality Scheme can be developed. There is no longer a statutory requirement to have such a scheme in place, and the current arrangements therefore are not out of step with statutory requirements, but a single scheme will align Council policy and protocols to the new duty and provide clarity for partners and citizens. The Public Sector Specific Equality Duties require the Council to publish an Equality Analysis by 31st January 2012 and at least annually thereafter, and to publish Equality Objectives by 6th April 2012. Work is in hand to ensure compliance with these specific duties. The primary focus is on Equalities Impact Assessment of the 2012/13 budget proposals.

ICT

24. The ICT Strategy focuses on five key programmes, namely the delivery of a robust core architecture on which to deliver ICT services; the provision of flexible and efficient mobile and office based technologies; the implementation of robust and secure information management processes and systems; the management of a robust governance framework for ICT projects and investments; and the advancement of standards and procedures within ICT with the aim of delivering excellent services.
25. Implementation of the Strategy is led by the Chief Officer's Board who are tasked to produce six-monthly reports on implementation progress to the Audit Committee.
26. The progress report to the Audit Committee in September 2011 documented positive progress on each of the five key programmes. This included reference to the server virtualisation programme; the completion of a successful virtual desktop 'proof of concept' trial; recertification of Xentrall ICT Services under the ISO 27001 international standard for information security management; and the ongoing review of key processes and procedures to improve both the governance and performance of ICT service delivery.

Annual Statement of Accounts

27. The Council's external auditors PwC audited the Council's Annual Accounts in line with approved Auditing Standards and issued an unqualified audit report on 30 September, 2011. The Accounts had been prepared under International Financial Reporting Standards (IFRS) for the first time. PwC stated that the draft Accounts submitted for audit and the supporting working papers were of high quality and this was mentioned in their 2010/11 Annual Audit Letter.
28. The auditors are also required to issue a conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. PwC issued an unqualified conclusion on the Council's arrangements on 30 September, 2011.

Medium Term Financial Plan

29. The Council is facing a significant financial challenge following the losing of an estimated 24.4% of government funding. The 2011/15 MTFP identified savings of £11.8m with a further £7.7m to follow. However, due to the deferment of a number of savings, increases in service demand and inflationary pressures this further figure has risen to £12m. The Council's grant figure is only certain until March 2013 as the Government plan to implement a fundamental review of local government funding from April 2013. There is, therefore, uncertainty in the projected resource levels beyond the next year, with significant risk that grants could be less than assumed in the current MTFP.
30. The Council's business model is based around three fundamental questions WHAT services will the Council provide, HOW will they be delivered and WHO will provide them. The HOW and WHO strands are about providing the same services for less and in the proposed 2012/16 MTFP presented to Cabinet in November 2011 the budget savings in these areas totalled £8.103m when fully implemented. A zero based Council approach has been taken to address the WHAT question, where all services have been considered systematically alongside the outcomes the Council wants for the Borough and the evidence base of what works. Following this process savings when fully implemented of £2.673m have been included in the proposed 2012/16 MTFP.

Budget Management

31. Forward-looking, predictive revenue budget management continues to be reported to Cabinet quarterly. The latest outturn position for 2011/12 will be around £2.1m better than planned in the 2011-15 MTFP.
32. A Project Position Statement (PPS) combining capital expenditure monitoring and project management is presented quarterly to Cabinet. The overall capital financing requirement is continuously monitored and the impact is included in the MTFP and Treasury Management budget.

Code of Conduct for Employees

33. In November 2011, following endorsement by the Joint Consultative Committee, Council adopted an Anti Bribery Policy and Procedures in response to the requirements of the Bribery Act 2010 and approved necessary consequential amendments to the Code of Conduct for Employees.

Code of Conduct for Members

34. The Localism Act 2011 received Royal assent in November 2011. The changes to Standards and the Member Code of Conduct are not yet in force but will be at a time to be appointed by the Government, anticipated to be around April 2012.
35. Local Authorities will still be required to have a Code of Conduct for Members, but it will be less prescriptive than before as the National Model Code of Conduct is being scrapped. There will be a requirement that it is based on a number of principles of conduct and also that it includes provisions relating to 'pecuniary interests'.

36. The register of interests will remain and Members with disclosable pecuniary interests will be under obligation in relation to disclosure and participation at meetings. There are a number of new offences created that allow Members to be prosecuted for conduct relating to pecuniary interests under the Localism Act 2011. Allegations of breaches of the Code of Conduct can also be complained about and the investigation and determination of complaints will include an 'independent person' in the process.

Conclusion

37. It is concluded that, overall, positive progress is being made on the application of Corporate Governance within the Authority.

Outcome of Consultation

38. No formal consultation was undertaken in production of this report.