
CORPORATE GOVERNANCE

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. To seek Members approval of a revised Local Code of Corporate Governance.
2. To outline the framework for production of the Council's Annual Governance Statement.

Background

What do we mean by Governance?

3. Governance is about how local authorities ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
4. It comprises the systems and processes, and cultures and values, by which local authorities are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

General

5. Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract immense attention and one significant failing can taint a whole sector. Local authorities are big business, employing over two million people and accounting for 25% of public spending. They are vitally important to all tax payers and citizens. Authorities need to ensure the delivery of high-quality services to them.
6. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but also be seen to be sound.

The Position in Darlington

7. Darlington adopted a Local Code of Corporate Governance in 2002 based upon the CIPFA/SOLACE publication issued in 2001 entitled 'Corporate Governance in Local

Government – A keystone for Community Governance : Framework’. The Local Code reflects the five dimensions of the Councils responsibilities in terms of corporate governance referred to in the publication, namely :-

- (a) Community Focus;
- (b) Service Delivery;
- (c) Management Structures and Processes;
- (d) Risk Management and Internal Control; and
- (e) Standards of Conduct.

8. To ensure that the Local Code was a dynamic process that led to real outcomes and, not a one-off document, it was developed as a series of main documents and functions that were linked to the dimensions. Each document/function identifies a particular duty and target audience and names a lead officer who is responsible for three types of action :-
- (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 awareness raising actually happens;
 - (c) Review – parts of the Local Code will evolve and develop as local government modernisation continues and legislation changes. Review actions ensure that all parts of the Code are reviewed in the light of effectiveness and emerging good practice.
9. The Local Code has been the subject of regular six-monthly monitoring reports, initially to Resources Scrutiny and lately to the Audit Committee, to consider whether the management processes defined are actually being adhered to throughout the organisation and whether any aspects need to be specifically reviewed or updated. These reports have helped support production of the annual Statement of Internal Control (SIC).
10. 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.

Information

The Local Code

11. CIPFA/SOLACE have recently reviewed their original publication 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’ re-emphasises the importance of maintaining good governance throughout all council activities.
12. This revised publication no longer refers to the five dimensions of corporate governance but instead sets out six core principles, backed by supporting principles, that underpin good governance.

13. The six core principles, taken from ‘The Good Governance Standard for Public Services 2004’ developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and adapted for local government purposes 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 authority 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;
 - (f) Engaging with local people and other stakeholders to ensure robust public accountability.
14. The Head of Corporate Assurance, Borough Solicitor and Policy Manager have reviewed the current Code in the light of the new guidance. A revised draft Local Code has been produced at **Appendix A** that reflects the revised guidance whilst maintaining the distinctive features of the current Code.
15. The new draft code states the core and supporting principles of good governance, outlines the Council’s commitment to them and how that commitment will be met, identifies the key documents/functions of the Council’s governance framework and outlines how ongoing application and effectiveness will be monitored through a half-yearly report to the Audit Committee and publication of the Annual Governance Statement.

The Annual Governance Statement Framework

16. Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 requires local authorities to publish each year an Annual Governance Statement along with the Statement of Accounts. The Annual Governance Statement replaces the SIC and must be signed by the Leader of the Council and Chief Executive. The purpose of the Annual Governance Statement process is to provide a continuous review of the effectiveness of the Council’s governance framework so as to give assurance and/or to produce a management action plan to address identified areas for improvement.
17. The Annual Governance Statement is a key corporate document involving, in addition to the most senior member and officer as signatories, a variety of people charged with delivering governance :-
- (a) Directors and Managers assigned with the ownership of risks and the delivery of services;

- (b) The Director of Corporate Services as the financial officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - (c) The Monitoring Officer in meeting his/her statutory responsibilities;
 - (d) Members e.g. through the Audit Committee; and
 - (e) Others responsible for providing assurance.
18. The framework behind production of the Annual Governance Statement is outlined at **Appendix B**. The table highlights the key documents/functions of the governance framework and specifies the sources that provide assurance on its adequacy and effectiveness. Such sources include Internal and External Audit and Inspectorates.
19. At the centre of the governance framework is a management group who have ultimate responsibility for drafting the Annual Governance Statement after evaluating assurances and supporting evidence. This group consists of the :-
- (a) Director of Corporate Services (S151 Officer);
 - (b) Borough Solicitor (Monitoring Officer);
 - (c) Assistant Chief Executive;
 - (d) Head of Human Resource Management; and
 - (e) Head of Corporate Assurance.
20. The process includes the Audit Committee as the independent review body who examine the draft Annual Governance Statement and supporting evidence prior to approval.

Outcome of Consultation

21. Standards Committee were informed of the new CIPFA/SOLACE document on ‘Delivering Good Governance in Local Government’ and of the Annual Governance Statement framework on 19th November, 2007. The Committee were pleased with the positive progress upon a revised Local Code and the framework.
22. The Audit Committee endorsed the draft Local Code of Corporate Governance at their meeting on 14th December, 2007.

Legal Implications

23. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

24. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

25. This report does not alter the Council's Policy Framework but the issues contained within this report are required to be considered by Council because they amend the Council's Constitution.

Recommendations

26. It is recommended that Council :-
- (a) Approve the revised draft Local Code of Corporate Governance at Appendix A for inclusion within part 5 of the Council's Constitution.
 - (b) Note the Annual Governance Statement framework at Appendix B.

Reason

27. To ensure that the Council's Local Code of Corporate Governance reflects the latest guidance.
28. To inform Members of the framework for production of the Council's Annual Governance Statement.

Paul Wildsmith
Director of Corporate Services

Background Papers

CIPFA/SOLACE Publication(s) 'Delivering Good Governance in Local Government : Framework and Guidance Note'.

Brian James : Extension 2140
TAB

DARLINGTON BOROUGH COUNCIL**LOCAL CODE OF CORPORATE GOVERNANCE****1. INTRODUCTION**

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.

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.
- (f) Engaging with local people and other stakeholders to ensure robust public accountability.

The Council supports these principles fully. This Code is a public statement of the commitment to these principles and sets out clearly the way in which the Council will meet that commitment.

The main body of the Code is divided into six sections, each of which covers a particular core principle together with supporting principles, of good governance. Under each section, the means by which the Council will meet and demonstrate its commitment to good governance in relation to that principle is exemplified.

2. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

- (a) **Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users.**

In order to meet this commitment the Council will :-

- (i) Develop and promote its purpose and vision;
 - (ii) Review on a regular basis this vision for the local area and its impact on governance arrangements;
 - (iii) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners;
 - (iv) Publish an annual report on a timely basis to communicate its activities, achievements, financial position and performance.
- (b) Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.**

In order to meet this commitment the Council will :-

- (i) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available;
 - (ii) Put in place effective arrangements to identify and deal with failure in service delivery.
- (c) Ensuring that the Council makes best use of resources and that taxpayers and service users receive excellent value for money.**

In order to meet this commitment the Council will :-

- (i) Decide how value for money is to be measured and make sure that it or its partners has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.

3. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

- (a) Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.**

In order to meet this commitment the Council will:-

- (i) Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the approach towards putting this into practice;
- (ii) Set out a clear statement of the respective roles and responsibilities of other members, members generally and senior officers.

(b) Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.

In order to meet this commitment the Council will :-

- (i) Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matter specifically reserved for collective decision, taking account of relevant legislation, and ensure that it is monitored and updated when required;
 - (ii) Make a Chief Executive responsible and accountable for all aspects of operational management;
 - (iii) Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;
 - (iv) Make a senior officer (the S151 officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
 - (v) Make a senior officer (the Monitoring Officer) responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- (c) Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.**

In order to meet this commitment the Council will:-

- (i) Develop protocols to ensure effective communication between members and officers in their respective roles;
- (ii) Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel;
- (iii) Ensure that effective mechanisms exist to monitor service delivery;
- (iv) Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- (v) When working in partnership ensure that: -
 - a) Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority;
 - b) There is clarity about the legal status of the partnership;

- c) Representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisations to partner decisions.

4. PROMOTING VALUES FOR THE COUNCIL AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

(a) Ensuring Council members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.

In order to meet this commitment the Council will :-

- (i) Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect;
- (ii) Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols;
- (iii) Put in place arrangements to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practices.

(b) Ensuring that organisational values are put into practice and are effective.

In order to meet this commitment the Council will :-

- (i) Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners;
- (ii) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice;
- (iii) Develop and maintain an effective Standards Committee;
- (iv) Use the organisation's shared values to act as guide for decision making and as a basis for developing positive and trusting relationships within the authority;
- (v) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

5. **TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

(a) **Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.**

In order to meet this commitment the Council will :-

- (i) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible;
 - (ii) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
 - (iii) Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice;
 - (iv) Develop and maintain an effective Audit Committee, which is independent of the executive and scrutiny functions;
 - (v) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.
- (b) **Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.**

In order to meet this commitment the Council will :-

- (i) Ensure that those making decisions whether for the authority or a partnership are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of technical issues and their implications;
 - (ii) Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision-making and used appropriately.
- (c) **Ensuring that an effective risk management system is in place.**

In order to meet this commitment the Council will :-

- (i) Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs;
 - (ii) Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.
- (d) **Using its legal powers to the full benefit of the citizens and communities in its area.**

In order to meet this commitment the Council will :-

- (i) Actively recognise the limits of lawful activity placed on it by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of the community;
- (ii) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law;
- (iii) Observe all specific legislative requirements placed on it, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice - into its procedures and decision making processes.

6. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE.

(a) Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

In order to meet this commitment the Council will :-

- (i) Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;
- (ii) Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.

(b) Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.

In order to meet this commitment the Council will :-

- (i) Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively;
- (ii) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;
- (iii) Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training and development needs.

(c) Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

In order to meet this commitment the Council will :-

- (i) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;
- (ii) Ensure that career structures are in place for members and officers to encourage participation and development.

7. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

- (a) Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.**

In order to meet this commitment the Council will :-

- (i) Make clear to themselves, all staff and the community to whom they are accountable and for what;
- (ii) Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required;
- (iii) Produce an annual report on the activity of the scrutiny function.

- (b) Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.**

In order to meet this commit the Council will :-

- (i) Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively;
- (ii) Hold meetings in public unless there are good reasons for confidentiality;
- (iii) Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements to recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;
- (iv) Establish a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result;
- (v) On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;
- (vi) Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness

and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those circumstances where it is proper and appropriate to do so.

(c) Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

In order to meet this commitment the Council will :-

- (i) Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

8. EVIDENCING THE CORE PRINCIPLES

All policies, systems, procedures and structures that determine and control the way in which the Council manages its business for the greater good of the community comprise the local code or governance framework.

To ensure that this Code is a dynamic process that leads to real outcomes, it has been developed as follows :-

- (a) The key documents and functions that support corporate governance, and in turn shape other processes have been identified. Some of these documents and functions such as the constitution and the authority's performance management framework contribute towards more than one core principle. These are identified in **Appendix 1** to the code;
- (b) For each document/function the target population i.e. who should be aware of this document or function has been identified. In all cases there are several target audiences and an approach has been developed that distinguishes between audiences to best service their needs;
- (c) A lead officer for each document/function has also been identified to ensure that the identified duty in respect of corporate governance is clearly assigned to an accountable person;
- (d) A distinctive feature of Darlington's local code is that it has been designed as a process not a one-off document. Therefore, three discrete types of actions have been identified and assigned to nominated officers. These types of action are :-
 - (i) **AWARENESS** - making sure that everyone who needs to know about the document/function does know about it;
 - (ii) **MONITORING** - ensuring that the duty is carried out;
 - (iii) **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 code are reviewed in the light of effectiveness and emerging good practice.

9. ARRANGEMENT FOR ENSURING ONGOING APPLICATION AND EFFECTIVENESS

In order to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 an annual governance statement will be signed by the Leader of the Council and Chief Executive and published with the Annual Statement of Accounts to report publicly on the extent to which the Council has complied with its code. This statement will include how the effectiveness of the governance arrangements have been monitored and any planned changes in the coming period.

A Corporate Group of officers will be responsible for drafting the annual governance statement after evaluating assurances and supporting evidence. The statement will be subject to independent review and approval by the Audit Committee.

The Corporate Group of officers will consist of the :-

Director of Corporate Services (S151 Officer)
Borough Solicitor (Monitoring Officer)
Assistant Chief Executive
Head of Human Resource Management
Head of Corporate Assurance

The Group will regularly monitor the Local Code in order to identify any changes required or particular issues arising. To provide a regular member perspective to this process a half yearly report will be submitted to the Audit Committee based on the work of the Group including :-

- (a) Considering whether any aspects of the Local Code need to be specifically reviewed or updated.
- (b) Being satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation.

The Audit Committee will report and recommend to Council any matters that it believes require action.

10. FURTHER INFORMATION

If you have any concerns about the way in which the Borough Council, its Members, officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following as appropriate. Your enquiry will be treated confidentially and a response made following investigation of the facts in each case.

- (a) **Chief Executive**
Ada Burns,
Darlington Borough Council,
Town Hall,
Feethams,
Darlington.
DL1 5QT
Tel. (01325) 388010
- (b) **Director of Corporate Services**
Paul Wildsmith,
Director of Corporate Services,

Town Hall,
Feethams,
Darlington.
DL1 5QT
Tel. (01325) 388301

- (c) **External Auditor**
Pricewaterhouse Coopers,
89 Sandyford Road,
Newcastle upon Tyne.
NE99 1PL
Tel. (0191) 2328493