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**CORPORATE GOVERNANCE – UPDATE REPORT**

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**Purpose of Report**

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

**Overview**

2. On 10th December 2002, a report was presented to Cabinet outlining the principles of Corporate Governance. The purpose of the report was three-fold:-
  - (a) to update Cabinet on the application of Corporate Governance within Local Government;
  - (b) to present a draft 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’;
  - (c) to propose an ongoing process by which the Local Code may be updated and monitored.
3. At that meeting, Cabinet agreed that monitoring should be reported six monthly to consider the following:
  - (a) Whether any aspects of the Local Code need to be specifically reviewed;
  - (b) To ensure that members are satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation.
4. The previous monitoring report was presented to the 28th March, 2007 Audit Committee as part of its specific responsibility to monitor the effective development and operation of corporate governance in the Council (Minute A12/Oct/06 refers).
5. CIPFA/SOLACE have recently reviewed their original 2001 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’ re-emphasises the importance of maintaining good governance throughout all council activities. The Council’s existing Local Code is to be reviewed in the light of this new document and this Committee will consider any required changes and refer such changes to Cabinet for approval.

## **Background information**

6. The term Corporate Governance refers to the system by which the Council directs and controls its functions and relates to the community it serves. The basic principles of good corporate governance require the Council to:
  - (a) Carry out its functions in a way that is completely open and inclusive of all sectors of the community.
  - (b) Demonstrate the utmost integrity in all its dealings.
  - (c) Be fully accountable to the public it serves.
7. The Council supports these principles fully and its Local Code of Corporate Governance is a public statement of commitment to them. The Code is split into five sections, each of which covers a particular dimension for the Council's responsibilities in terms of Corporate Governance. These sections are:
  - (a) Community Focus;
  - (b) Service Delivery;
  - (c) Management Structure and Processes;
  - (d) Risk Management and Internal Control;
  - (e) Standards of Conduct.
8. In order to show good practice in relation to Corporate Governance, the authority must assess itself against the five 'dimensions' listed above. To do this, the main documents and functions that support Corporate Governance have been identified. These documents and their contribution to each dimension have been detailed and published on the Council's Intranet: [Corporate Governance Home Page](#). The documents themselves are process driven and are continually updated as the Local Code of Corporate Governance is in itself not a one-off piece of work, but a fluid document. Previously, new documents have been added to the Local Code to justify this claim, including social inclusion, neighbourhood renewal, etc.
9. 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 awareness raising actually happens;
  - (c) Review - parts of the corporate governance 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.

## **Information and Analysis**

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.

11. The last specific Member training on Corporate Governance and the Local Code was carried out in June 2005. However, a session upon 'Corporate Governance and the Council's Ethical Framework' was delivered as part of the Members Training and Development Programme on 27th September, 2006 and the latest programme, up to the end of September 2007, included modules covering risk management, information governance and the conventions of the Council Chamber and Council Procedure Rules.
12. In addition, work continues upon the implementation of learning management software to better record acceptance and understanding by employees and members of a range of corporate policies/processes, following completion of a successful pilot within the Corporate Services Department. This pilot included such matters as Financial Procedure Rules, Anti-Fraud and Corruption arrangements and risk management and work is underway to roll out the system across other departments and to Members and to increase the number of policies/processes covered.
13. As documented in previous reports, the number of 'hits' on the Corporate Governance documents on the Intranet has shown that they are viewed by a significant number of users i.e. 4332 hits for the two months October and November 2006. Unfortunately, this figure is the latest available as problems persist in accessing statistics. A solution to this matter is being explored in conjunction with the Council's web developers.
14. Since the previous update report was presented to this Committee in March 2007, the documents have been refreshed and progress continues to be made on creating hyperlinks within the documents to key supporting information. A self-assessment of the five dimensions reveals the following:

#### *Community Focus*

15. The Council places great value on the views and opinions of the general public and its other stakeholders, both in helping to determine service priorities and in seeking joint working arrangements with other organisations to meet common goals.

#### **Progress since March 2007 Audit Committee**

- (a) A new Sustainable Community Strategy encompassing extensive consultation is being developed by the Local Strategic Partnership with a planned adoption date in March 2008.
- (b) Delivering the Council's Community Engagement Strategy is to be the focus of the new 'Connecting with Communities Unit'.
- (c) A Gender Equality Scheme is due to be presented to Cabinet by the end of December 2007.

#### *Service Delivery*

16. The Council is committed to securing continuous improvement in the delivery of its services and to ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its users and in the most efficient and effective way.

### **Progress since March 2007 Audit Committee**

- (a) Service Plans for 2007/08 have been produced in accordance with the corporate approach. However, a fundamental review of the process is underway with a view to the adoption of a revised approach for 2008/09 in line with the development of the Sustainable Community Strategy, Local Area Agreement etc.
- (b) Project briefs, initiation documents and plans are completed for all Leading Edge - Business Transformation Projects, previously Best Value Reviews. Project portfolio highlight reports have also been established for monitoring purposes.

### *Management Structures and Processes*

17. The Council is committed to establishing appropriate structures and procedures to govern its decision making process which ensure the strategic management of the Council, the appropriate balance of power, the clarity of member and officer roles and responsibilities and the proper scrutiny of all aspects of performance and effectiveness.

### **Progress since March 2007 Audit Committee**

- (a) A dissemination plan is being developed for the project management tool MicroPrice 2 and will be completed by October 2007. All business change projects will follow the standard templates. Delivery of a training programme for staff will commence in October 2007.
- (b) The Council has conducted a complete review of the Constitution. The review included proposed changes to the structure and format of the Constitution, the responsibility for functions and delegations and a review of the Procedure Rules. The accessibility of the Constitution is also being reviewed and it is proposed that the revised document will be available in A5 folder format. A further review of Council decision making is underway by the Monitoring and Co-ordination Group with a view to enhancing community involvement in decision making

### *Risk Management and Internal Control*

18. The Council is committed to the highest standards of care and control over the assets and resources at its disposal and to ensuring that these are protected from the risk of loss, damage or misuse. By identifying, analysing and managing any risk or threat to the organisation or its resources, the Council can ensure that they are used in the most efficient, effective and economic way and deliver services in a way that represents the best value for money achievable.

### **Progress since March 2007 Audit Committee**

- (a) In June 2007, the Audit Committee approved the Statement of Internal Control (SIC) to be published with the Statement of Accounts for 2006/07 (Minute A11/Jun/07). The SIC set out the key elements of the internal control environment, detailed the review of its effectiveness, highlighted significant internal control issues and summarised future improvements.

- (b) The outcome of the first annual review of the Council's significant partnerships, led by the Chief Executive of Darlington Partnership and based upon partnership toolkit questionnaires completed by the Council's partnership Lead Officers, was reported to Cabinet on 18th September, 2007.

### *Standard of Conduct*

- 19. The reputation of the Council depends entirely on the personal conduct of its Members, officers and agents. The Council believes that good corporate governance is based around the highest levels of professionalism and integrity being applied to conducting the affairs of the authority in an open and accountable manner. The Council is committed to ensuring that these high standards are maintained and that all those associated with the Council demonstrate a high level of leadership and public service commitment.

### **Progress since March 2007 Audit Committee**

- (a) The Council adopted the 2007 Model Code of Conduct on the 18<sup>th</sup> May 2007. It was made a mandatory requirement that one of the five training sessions that Members must attend in the calendar year would be on the new Code of Conduct. Four training sessions were subsequently provided by the Monitoring Officer for existing Members and two sessions were arranged for new Members. The Register of Interests form has been amended to reflect the changes resulting from the new Code of Conduct. A copy of the new Code of Conduct has been included in the Council's constitution. Parish Council's have been advised of their need to adopt the new Code of Conduct and training sessions have also been provided for Parish Council Members and Clerks
- (b) The Standards Committee under the independent Chairmanship of Mike Airey, continue to have a statutory function for promoting high standards of conduct. Work of that Committee since March 2007 has included considering the changes proposed by the Local Government and Public Involvement in Health Bill, considering the work undertaken to roll out the 2007 Code of Conduct to Members and also to Parish Councils and formally setting in motion a review of the Code of Conduct for Employees. The Standards Committee has also considered publications received from the Standards Board, such as the Standards Board Bulletin and also the Town and Parish Standard.
- (c) The Committee membership has been increased to give a greater proportion of independent and Parish Members on the Committee in readiness for proposed changes to legislation. It will also make it easier for local determination panels to be selected in the event that some Members of the Committee are unable to sit because of conflicts of interest.

### **Legal Implications**

- 20. 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**

21. 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.

### **Recommendation**

22. It is recommended that Members note the progress on the application of Corporate Governance within the Authority.

**Paul Wildsmith**  
**Director of Corporate Services**

**Lorraine O'Donnell**  
**Assistant Chief Executive**

### **Background Papers**

- (i) Report to Cabinet: Corporate Governance 10.12.02.
- (ii) Previous Update reports to this Audit Committee and to Resources Scrutiny .
- (iii) CIPFA/SOLACE Publication - 'Delivering Good Governance in Local Government'.

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