AUDIT COMMITTEE
18TH DECEMBER, 2009

ITEM NO. ....

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	**Ada Burns**
Director of Corporate Services	**Chief Executive**

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
Andy Robinson: Extension 2014

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.
Sustainability	There is no specific sustainability 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 and published on the Council's intranet: http://intranet/Corporate+Services/corporateassurance/corpgov/. 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 Member training on the key documents and functions within the Local Code is included periodically within the Members Training and Development Programme and a presentation on corporate governance was delivered by the Borough Solicitor to the Senior Managers Network in February 2008.

16. In addition, work progresses on the development of learning management software to better record acceptance and understanding by officers and Members of a range of corporate policies / processes with implementation on a phased basis scheduled for early 2010.

17. The key documents / functions of the governance framework have been updated on the intranet with hyperlinks created within them to relevant supporting information. Progress made includes the following.

Sustainable Community Strategy

18. Cabinet, Council and Darlington Partnership collectively approved a new long term Sustainable Community Strategy (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 new 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. Action planning to deliver the vision is by way of the Local Area Agreement delivery plan (see below). Work is ongoing to effectively measure progress against the two priorities, One Darlington and Perfectly Placed.

Local Area Agreement

19. Darlington Partnership and full Council signed off Darlington's Local Area Agreement (LAA) in May/June 2008. The LAA consisted of 35 indicators taken from the national list, with three-year targets negotiated between the council and partners and Government Office North East (GONE). Additionally, the LAA originally contained 16 statutory Children and Early Years indicators, however this number has now been reduced to 10 due to attainment indicators for Key Stage 3 being removed by Government.

20. The LAA acts as the short term delivery plan for Darlington's new long term vision 'One Darlington : Perfectly Placed'. The Partnership has been restructured, ensuring it is fit for purpose, with the establishment of an Executive and five theme groups, each responsible for one theme of the new vision. Each theme group has developed and is implementing multi-agency action plans in order to ensure the LAA is achieved. GONE have a continued role in that they review and refresh the LAA each year, assessing how robust partnership plans are, and assessing future capacity for improvement. The LAA was reviewed and refreshed in early 2009 with some targets around the local economy being amended to reflect the economic downturn, whilst retaining the ambition set out in the Sustainable Community Strategy. A similar exercise is planned for January to March 2010, with the emphasis being on those economic indicators and targets which are subject to significant fluctuation as a result of the economic recession.

Capital Projects Methodology (CPM)

21. The newly established Projects Office has now taken on board responsibility for the monitoring of the Project Position Statement (PPS). This monitoring process will over the next few months include within it a role of auditing the data included to ensure that entries are accurate, up to date and reflect the true position on contract data entered.

22. The PPS is reported monthly to the Asset Management and Capital Programme Review Board and quarterly to Resources Scrutiny Project Management Task and Finish Review Group. In the new year it is intended that a quarterly update report will be submitted to Cabinet, combining key elements of the PPS and the financial Capital Programme Monitoring report.

23. The Projects Office will also be looking at establishing cross departmental meetings to review the CPM process to ensure that it both meets the user needs and it is not too onerous on staff time.

24. Details of the CPM have also been added to the intranet so that Project Managers within the Council have a reference point to the Control Points. The next week or so will also see an electronic version of the Project Managers Handbook added to the intranet which provides a user guide to the process.

Performance Management

25. The introduction of the new national indicator set, replacing 'best value performance indicators' has meant substantial changes to the council's performance management framework. The new indicator set is focused more on outcomes, with a significant number of indicators being managed by partner organisations. Therefore, new data sharing protocols are being created under the auspices of the LSP, through a multi-agency group. Work is ongoing to ensure that data is analysed and interpreted, not merely reported, ensuring that the authority and partners can concentrate on the important issues for the local area. This work is being undertaken as part of a wider review of the Policy, Performance and Partnership functions across the organisation.

Service Planning

26. Corporate and departmental service plans for the 2010-14 planning cycle are being developed to directly address the outcomes required to deliver the vision of One Darlington : Perfectly Placed (the SCS). The focus on outcomes is being sharpened by the introduction this year of a new planning methodology, Outcome Based Accountability (OBA), following adoption of the Council's new Future Business Model. Whilst introduced initially into the Council's planning framework, it is intended to roll out OBA principles to the wider LSP, to ensure that key partners are engaged in tackling multi-agency issues with regard to delivering shared outcomes.

Complaints Process

27. The Council has now implemented a revised complaints process with effect from 1st April 2009. The process is a stage 2 process which focuses on customer contact and resolution rather than process. The implementation plan included improvements across a range of activities including enhanced access via the website, dedicated complaints handling by the complaints unit at stage 2, computerised recording of all complaints, and a uniform approach to complaints handling, reporting and learning. Training on complaints handling was rolled out across the Council with a comprehensive range of events for officers and Members across the Council.

28. The new process places responsibility for Stage 2 investigations with the Corporate Complaints Unit which provides greater independence and scrutiny. From April 2009 the Unit also took on the liaison with the Local Government Ombudsman and the handling of Member Complaints. This brought together all complaints in one Unit, and the Unit itself is placed within the responsibility of the Monitoring Officer who has statutory responsibility in relation to maladministration and member complaints. The Monitoring Officer also has responsibility for Customer Services which enables data from the customer complaints and customer contact to be combined in one service area, to provide information to the Council's management about areas causing concern for customers to help learning and improvement from Complaints. The new Unit has recently taken on Adult Services Complaints (April 2009) and Children's Services Complaints (November 2009). The Unit has implemented a new IT system for the collection and analysis of all complaints data. Data from the first six months of the operation of the new procedure has enabled appropriate action plans to be put in place to tackle areas where complaints are arising and also shows a reduction in the number of complaints being referred to the Ombudsman.

Information Governance Policy

29. In December 2009 Cabinet approved a refreshed Corporate Information Governance Policy together with an Information Governance Strategy, Information Security Policy and associated delivery framework. This developed a strategic risk based approach to information governance and information security management, supported by senior management, that will ensure legal and regulatory requirements and best practice are embedded into business as usual activities and consistently applied across the Council. The implementation of the policies and delivery of the work programme will provide the Council, its partners and inspectorates with an appropriate level of assurance that information is managed in an efficient, effective and secure manner.

30. The Corporate Information Governance Group (CIGG), a cross departmental group of officers, has the critical role in the development and implementation of information management related policies, procedures and working practices. CIGG reports six monthly to the ICT Strategy Group on progress and planned developments and in turn the ICT Strategy Group is required to report six monthly to the Audit Committee on progress in implementation of the ICT Strategy that includes in its delivery programme 'the implementation of robust and secure information management processes and systems'. The first such report of the ICT Strategy Group is scheduled for the March 2010 Audit Committee.

Risk Management

31. The Risk Management Strategy has been refreshed to make explicit reference to the SCS One Darlington : Perfectly Placed and to reflect the Council's new planning methodology, Outcome Based Accountability, and Future Business Model. The revised Strategy is the subject of a separate report on the agenda for this meeting and if endorsed will be referred to Cabinet for approval in early 2010.

Anti-Fraud and Corruption Arrangements

32. The Council's Anti-Fraud and Corruption arrangements are required to be reviewed at least annually to ensure that they remain relevant and fit for purpose. The outcome of the latest review is the subject of a separate report on the agenda for this meeting. The report depicts a positive position on governance arrangements with reference to a checklist included within the recent Audit Commission publication 'Protecting the Public Purse' and recommends minor amendments to the Housing Benefit/Council Tax Anti Fraud Policy and Strategy and the Housing Benefit Sanction Policy to reflect changes in terminology.

Treasury Management

33. Strengthening of Member-level scrutiny and challenge of officers who manage Council borrowing, investments and cash-flow is a key recommendation in the Audit Commission report 'Risk and Reward' that resulted from public bodies exposure to risk in the Icelandic banks collapse of 2008. Responsibility for Member-level examination of Treasury Management strategies, policies and performance, prior to consideration by Cabinet and approval by Council was transferred to the Audit Committee in November 2009, in line with Audit Commission recommendations. To help support the new arrangement, two training events have recently been attended by all Members of the Audit Committee and a number of other Members. The Director of Corporate Services will report the proposed

strategies and policies for 2010/11 to a special meeting of the Audit Committee in January 2010.

Members' Code of Conduct

34. The new Member Code of Conduct was introduced nationally in May 2007. Existing Members received training on the new code. New members following the local elections that year received training on the old and new Code to enable them to fully understand the new code, and operate pending approval of the code in May 2007. All members have received training on the Code of Conduct and refresher training every two years is mandatory for all members. Members have been kept up to date about the interpretation of the Code through a regular newsletter from the Standards Committee.

Standards Committee

35. The Local Assessment Framework was introduced in May 2008. The Committee has dealt with a number of initial assessment cases under the new procedure and provided training to the wider membership on the working of the Local Assessment Framework. The Committee has received and acted on the Other Action Guidance produced by Standards for England and has received reports on the action taken by the Monitoring Officer following a decision for Other Action by the Initial Assessment or Review Sub-Committees.

36. The Standards Committee has also responded to the consultation on the proposed revisions to the Member Code of Conduct, reviewed guidance on politically restricted posts, introduced amendments to the Protocol on Member Officer relations, reviewed and extended the data received as part of the regular Ethical Indicators report, and introduced regular meetings with the Chief Executive, the Leader of the Council and the Leaders of other groups and the Chairman of the Committee to develop stronger links between the work of the Committee and the wider Council.

37. The Committee has conducted a public trust survey to evaluate the effectiveness of publicity and the work of the Committee. This first survey provides useful baseline data against which the effectiveness can be measured in future years.

Conclusion

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

Outcome of Consultation

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