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

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	Changes to corporate governance arising from the Equality Act 2010 are expected to lead to a greater understanding and a fuller consideration of the needs of Darlington's diverse communities.
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.

16. In addition, steps have been taken to re-launch learning management software to better record acceptance and understanding by officers and Members of a range of corporate policies/processes with introduction on a phased basis scheduled to coincide with implementation of the revised Departmental structures in early 2011.

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. SCS outcomes have been reviewed using an

Outcomes based methodology across the Council's business planning framework. This has resulted in a more focused approach at measuring the delivery of the Partnership's priorities. Further work is planned to consider the changes necessary to the One Darlington and Perfectly Placed assessment frameworks after the changes to the national framework.

Local Area Agreement

19. The Government has abolished Local Area Agreements.

Social Inclusion and Equalities

20. The way that the Council approaches the social inclusion agenda is now through the One Darlington priority of the SCS.

21. The Equality Act 2010 is bringing a change of emphasis to the Council's equalities work, with a focus on the production of a Single Equality Scheme to replace the existing Race, Gender and Disability Schemes, which are published as part of the Corporate Equalities Review and Plan. There are new duties for the public sector and community engagement activity with those who have or are interested in particular 'protected characteristics' listed in the Act has started. These 'protected characteristics' include familiar strands eg race, gender (or sex), gender reassignment, sexual orientation and religion or belief; as well as new ones eg marriage and civil partnership, pregnancy and maternity. Key implementation dates for the Act range from October 2010 to April 2012. It is envisaged that equalities impact assessment will remain an important tool for ensuring legal compliance. Impact Assessments of the budget proposals for 2011/12 are being carried out which look at equalities and other dimensions of impact.

Performance Management

22. The Government have effectively abolished the National Indicator Set (NIS) with the national Data Interchange Hub and the Places Analysis Tool being closed down. However, councils are required to continue the collection of data for the indicators in the NIS unless notified otherwise. The abolition of the national Place Survey removed two dozen indicators and Government has formally deleted others such as NI14, NI179 and NI188. Government has said that there will be a single data set that councils will have to return data for but that this is not a replacement for the NIS. This data set has not yet been released.

23. The Council's current PMF contains the national indicators and Corporate/Service Plans were constructed partly on this basis for 2010/11. Quarterly monitoring reports continue to be produced in Departments and for Cabinet and Scrutiny Committees. In the light of the proposed changes the PMF is to be reviewed necessarily for 2011/12.

Service Planning

24. Corporate and departmental service plans for the 2010-14 planning cycle have been developed to directly address the outcomes required to deliver the vision of One Darlington: Perfectly Placed (the SCS). The focus on outcomes was sharpened this year by the introduction of Outcome Based Accountability (OBA), following adoption of the Council's new Business Model. OBA has been rolled out to the SCS. A Strategic Single Needs Assessment has been completed for Darlington that will be used in

Corporate/Service Planning for 2011/12 onwards. Consideration of Government's Departmental Business Plans will also be included.

Complaints Process

25. The Council has embedded the revised complaints process which was introduced on 1st April 2009. The new process places responsibility for Stage 2 investigations with the Corporate Complaints Unit which provides greater independence and scrutiny. The Unit has implemented a new IT system for the collection and analysis of all complaints data. Data from the first eighteen months of the new procedure operating has enabled appropriate action plans to be put in place to tackle areas where complaints are arising.

26. Regular reports are taken to the Council's Senior and Departmental Management Teams and annual data is presented to Cabinet. This data enables the Council to analyse the data and take steps to implement change to reduce complaint. The new process has seen a reduction in the number of complaints progressing to stage 2 and in the number of complaints being referred to the Ombudsman. A new Adults Complaints Policy was introduced during this year. The system to incorporate complaints made directly to elected members into the Council's Corporate Complaints data has now been developed and will be implemented shortly.

27. The team are also taking part in a national project which demonstrates how complaints data can be used as insight to improve performance and drive out waste through complaints.

Business Transformation

28. The Council adopted a Project Management methodology in 2007 based upon the MicroP2 approach. The process is a 5 stage gated process with approval from the Transformation Board required to progress between stages. A suite of standard project documentation is available which ensures that an appropriate audit trail and decision record is maintained. The Project Management approach integrates Risk Management and utilises the Council's Corporate Risk Log template. Once approved projects are monitored and reported monthly via a Project Highlight Report which is incorporated into a Programme level Highlight Report, which in turn is reviewed monthly via the Transformation Board. To date approx 120 people have been trained in the Project Management Methodology.

29. With the re-alignment of the overall Transformation Programme in 2010 to the new Business Model and efficiency agenda, and a rapid increase in the number of transformation/efficiency projects a tiered approach to Project Management was approved. This means that the Full Project Management Methodology described above is applied only to the most complex or sensitive projects, with a light touch or budget monitoring approach applied to smaller, less complex and sensitive projects. In each case monitoring is still maintained through the Monthly Programme Highlight reports and Transformation Board. This allows a fit for purpose approach to be adopted whilst maintaining visibility and allowing an escalation in approach as necessary.

ICT

30. In April 2009, Cabinet approved an ICT Strategy that focused 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.

31. Implementation of the Strategy is led by the cross-departmental ICT Strategy Group, chaired by the Director of Corporate Services. This Group was tasked to produce six-monthly reports on implementation progress to the Audit Committee.

32. The progress report to the Audit Committee in September 2010 documented positive developments on each of the five key programmes. This included reference to the server virtualisation programme; the trialling of wireless technologies to establish the potential operational and business benefits of their use; Xentrall ICT Services having retained its certificate of compliance with the International Standard 27001 for Information Security Management in August ; the development and delivery of an information governance work programme that included endorsement of an Employees Guide to Information Security by the Joint Consultative Committee in August 2010; and roll out of a resource planning model throughout Xentrall ICT Services to improve significantly the management and allocation of resources.

Annual Statement of Accounts

33. The Council's external auditors PricewaterhouseCoopers audited the Council's Annual Accounts in line with International Standards on Auditing (UK and Ireland) and issued an unqualified audit report on 30th September 2010. They stated that the draft accounts submitted for audit and the supporting working papers were of high quality and this was mentioned in their Annual Audit Letter.

34. The auditors are also required to issue a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources. PwC issued an unqualified conclusion on the Council's arrangements on 30th September 2010.

Medium Term Financial Plan

35. The Council anticipated the financial challenge it was heading for some time ago and developed a new business model to meet the challenge. When preparing the current MTFP, the Council assumed a 10% cash reduction in government funding spread over a 3 year period and planned accordingly. The MTFP as agreed in March 2010based on these assumptions meant that the Council would have to deliver further savings of £11m over the 3 years commencing 2011/12, in addition to those included in the 2010-14 MTFP. In its Emergency Budget in June 2010 the government announced in year grant reductions and indicated that the reductions in local funding would be greater than had been assumed in the agreed MTFP. The Council then revised its plans, anticipating that it would need to save £22m over the 3 year period commencing 2011/12.

36. The Council has an excellent record of delivering its MTFP and although the Council is starting a period of significant change, it still has the aim of delivering the key priorities within the SCS.

Budget Management

37. Forward-looking, predictive revenue budget management continues to be reported to Cabinet quarterly and to Resources Scrutiny committee monthly. The latest projections are that the outturn for 2010/11 will be around £2m better than planned in the 2010-14MTFP. Quarterly reports combine summarised financial and service performance.

38. Reports combining capital expenditure monitoring and project management are made quarterly to Cabinet and Resources Scrutiny Committee. The overall capital financing requirement is continuously monitored and the impact is included in the MTFP and Treasury Management.

Treasury Management

39. The 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. Since that time the Audit Committee has examined a full cycle of Treasury Management and Prudential Indicator reports including the Strategy and Policies for 2010/11. The Committee has also examined the mid-year and outturn reports for 2009/10.

40. An internal audit of the Treasury Management function carried out in August 2010 resulted in a full assurance opinion.

Scheme of Delegation

41. The Council is due to implement a new structure from January 2011. The new structure required a review of the Scheme of Delegation to officers set out in the Council's Constitution. The opportunity was taken to develop a more cohesive scheme which takes a consistent approach across the respective services. The new scheme delegates powers to officers in their areas of responsibility subject to a number of limitations such as consultation and legislation requirements, Council policies and procedures, codes and protocols and restrictions by the Council's decision making bodies. There are also charts setting out a number of further exceptions in the areas of contracting, property, finance, employment and legal including planning and licensing.

42. This method of delegating powers provides greater efficiency in the exercise of powers without the need to refer matters unnecessarily to committee, and greater probity with a more robust framework which has tightened up some of the anomalies of the previous scheme. The scheme is also shorter and easier to amend. The new scheme will detail temporary delegated powers which apply for more than six months to provide greater transparency. Although the format of the scheme is different the effect of the scheme is designed to be no different from the existing scheme in terms of the type of decision which will be referred to the Council's Cabinet and Committees, however it will provide greater flexibility where decisions are required quickly.

Standards Committee

43. The Standards Committee continues to monitor a set of Ethical Health Indicators designed to provide an indication of any peaks in activity which indicate dissatisfaction with the Council across a range of areas of the Council's activities. The Committee has a work programme and oversees the Council's Confidential Reporting Policy, the Protocol for Member Officer relations, Member training and other key documents. The Committee has links with other Committees across the Tees Valley providing joint training for members and parish councils and has joint work plans with Tees Valley authorities.

44. Members will recall that the Committee reduced the number of complaints from fifteen during its first municipal year to nine in its second. This trend has continued during this year with only 2 complaints received so far both of which relate to parish councils.

45. There have been no complaints upheld against a Member of Darlington Borough Council since introduction of the ethical framework. The Committee has a key role in monitoring all Member training and ensuring a training programme designed to meet the needs identified by Performance Development Reviews.

46. The key issue for the Committee has been the proposal from central government to legislate to remove the Standards regime. Recent clarification has been provided in relation to these proposals which are to:

    - to abolish Standards for England

    - to remove the First-tier Tribunal's (Local Government Standards in England) jurisdiction over member conduct

    - to remove the national Code of Conduct for councillors and the requirement to have a standards committee

    - to allow councils to choose whether or not they wish to have a local code or a standards committee

    - to create a criminal offence relating to failure to register or declare interests

47. The Committee have considered the information made available so far and in order to anticipate these changes early discussions have taken place between the Leader of the Council, the Chairman of the Standards Committee and the Chief Executive to explore proposals for the Committee for the future. At the time of writing the draft Bill is still awaited.

Conclusion

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

Outcome of Consultation

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