
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 Member 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/corgov/documents/> Progress made includes the following.

Constitution

17. Following the elections on 5th May 2011 the new Council was established with its revised membership. The Council has a Cabinet and Leader model in accordance with the requirements of the Local Government and Public Involvement with Health Act 2007.
18. A new Leader was elected at the Annual Council meeting on 19th May 2011. The new Leader proposed a revised Cabinet membership of eight members including the Leader himself. He also decided changes to the portfolios of the Cabinet Members to better reflect the Council's Sustainable Community Strategy and changes to the Council's management structure that took place earlier this year. These changes resulted in amendments to the Constitution that were approved by Council on 26th May 2011.

Sustainable Community Strategy (SCS)

19. 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 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 to measuring the delivery of the priorities of the Council shared through the Partnership. Further work is underway to consider the changes necessary to the One Darlington and Perfectly Placed assessment frameworks after the changes to the national framework to ensure it remains an effective way for the Council to engage with stakeholders and thereby continues to act as a tool for good governance.

HR Strategy

20. The Council's HR Strategy developed in 2007 was reviewed and refreshed in 2010 to reflect the move to the New Business Model. The refresh was an interim measure to support the organisation through to early 2012 with a view to a planned project to commence in Summer 2011 onwards to undertake a more in depth re write of the Strategy.
21. The aim of the Workforce Strategy is to ensure that the Council going forward has the right culture, with a workforce that is well motivated, with the right skills, leadership values and behaviours.
22. The New Business Model and the design principles have broadly defined the Council's approach to Organisational Development, taking account of the changing external environment and resulting impact on the budget. This has led to the systematic ongoing reviews of service delivery and a reduced management structure in which leaders and managers have broader spans of control. The Business Model clearly states that the Council is moving towards a strategic commissioning model, focusing on maximising the use of limited resources across the public, private and third sector to achieve positive outcomes for Darlington People and Darlington as a Place.

Complaints Process

23. The Council has embedded the revised corporate, adult social care and children's social care complaints procedures since the 1st April 2009. The corporate procedure introduced a two stage system placing responsibility for stage 2 investigations with the Complaints and Information Governance Manager, providing greater independence and scrutiny. The adult social care procedure was revised following the introduction of the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009; and the children's social care procedure was revised to ensure a consistent approach to complaints across the Council within the parameters of the Local Authority Social Services Complaints (England) Regulations 2006. In addition to the revised procedures detailed guidance has been developed for staff involved in complaints and a comprehensive training programme has been rolled out across the Council, including training delivered by the Local Government Ombudsman in relation to good investigative practice.

24. The Complaints and Information Manager has implemented an IT system for the collection and analysis of all complaints data. This has enabled far greater analysis of complaints, the development of action plans and ultimately service improvements. Regular reports are taken to the Council's Senior and Group Management Teams and annual data is presented to Cabinet, Health and Well-being and Children and Young People's Scrutiny Committees.
25. The Complaints and Information Governance Team have also taken part in a national project which demonstrates how complaints data can be used to gain insight, improve performance and drive out waste through complaints.

Business Transformation

26. 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.
27. 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.
28. In addition to the process flow described above a further layer of scrutiny has been implemented with the introduction of a Programme level Reference Group. This is incorporated into the Chief Officers Board agenda on a monthly basis and allows challenge and scrutiny of programme documentation and progress by the Assistant Directors across the organisation. This helps to provide assurance to the Transformation Board that all relevant links to operations and cross Group risks have been given adequate consideration.

ICT

29. 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.

30. Implementation of the Strategy is now led by the Chief Officer's Board, replacing the ICT Strategy Group. Chief Officer's Board are tasked to produce six-monthly reports on implementation progress to the Audit Committee.
31. The progress report to the Audit Committee in April 2011 documented positive progress on each of the five key programmes. This included reference to the server virtualisation programme; the completion of the new data centre; the successful completion of the wireless trial; the printer consolidation project; roll out of software encryption; and the work done within Xentrall ICT Services to retain certification to ISO 27001, the international standard for information security management. In addition, a review of the ICT Services structure has been completed designed to improve both the governance and performance aspects of service delivery.

Annual Statement of Accounts

32. It is a statutory requirement for all local authority financial statements to be International Financial Reporting Standards (IFRS) compliant by 2010/11. In order to prepare IFRS compliant accounts by 2010/11, the Council is revising its accounting policies, changing the format of its financial statements and including a significant number of additional disclosures. In addition it has had to restate its 2009/10 comparative figures and will report these together with the 2010/11 figures on an IFRS basis.

Medium Term Financial Plan

33. 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's non-schools government grant reduced by 12.1% and will reduce by a further 4.7% in 2012/13. There is no certainty about grant funding beyond 2012/13 as the Government is proposing a fundamental review of how local government is funded but based on the Comprehensive Spending Review figures released in December 2010 it is estimated that the Council will lose 24.4% of its non-schools grant funding by 2014/15. The MTFP as agreed in March 2011 based on these assumptions, included £11.8m worth of savings after consultation, meaning that the Council will still need to develop further annual savings of £7.7m by 2014/15.
34. 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

35. Forward-looking, predictive revenue budget management continues to be reported to Cabinet quarterly and to Resources Scrutiny committee monthly. The latest outturn position for 2010/11 will be around £1.7m better than planned in the 2011-15 MTFP. Quarterly reports combine summarised financial and service performance.
36. 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

37. 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 range of Treasury Management and Prudential Indicator reports including in January 2011 the Strategy and Policies for 2011/12.

Scheme of Delegation

38. Changes to the Scheme of Delegation as a result of the Council restructure were approved by Council in November 2010. Following implementation of the structure a further review of delegation has taken place by the officers coming into post that led to a number of refinements to the Scheme to better reflect changes in officers' responsibilities. These refinements were approved by Council in May 2011.

Contract Procedure Rules

39. The ongoing operation of the Rules results in tweaks from time to time to ensure that they do not provide an unnecessary administrative burden or reports to Council to waive them. The latest amendment was approved by Council in May 2011. This permitted a waiver of the Rules by the Head of Procurement and the Assistant Director of Resources where a contract extension with an existing provider for a period up to one year was not provided for within the contract. This amendment recognised that it was not always possible to dovetail contract renewal dates with service reviews and the changes that follow from those reviews.

Conclusion

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

Outcome of Consultation

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