

**DRAFT****CAERPHILLY COUNTY BOROUGH COUNCIL****ANNUAL GOVERNANCE STATEMENT FOR 2012 / 2013****Background**

Since the publication of the previous year's Annual Governance Statement the Wales Audit Office (WAO) has published a Public Interest Report arising out of findings in respect of the remuneration of senior staff following a meeting and decision of the Senior Remuneration panel on the 5<sup>th</sup> September 2012. The report presented to Council on the 23<sup>rd</sup> April 2013 highlighted a number of serious weaknesses in the Authority's corporate governance. An Action Plan approved at Council on the 23<sup>rd</sup> April 2013 had been developed and the process of delivering significant improvement in this key area has commenced. The delivery of the Action Plan is being project managed and progress will be reported to both the Audit and Democratic Services Committees and Cabinet throughout the year. The Authority's intention is to deliver rapid improvement in this area by December 2013. This will include embedding the improvements in the culture of the organisation to ensure high standards of corporate governance are sustainable and maintained.

**Scope of responsibility**

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 and the Local Government Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at [www.caerphilly.gov.uk](http://www.caerphilly.gov.uk) or can be obtained from the councils communication department. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

The Authority has acknowledged and accepted that there have been serious shortcomings in respect of its duties identified above.

**The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

#### ***Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- The Corporate Improvement Plan sets out the Council's vision, priorities and strategic objectives (called Improvement Objectives). These are derived from the Caerphilly Community Strategy, which clearly articulates a shared vision for Caerphilly County Borough Council.
- Long term outcomes and interim performance standards have been established for each strategic objective.
- The Community Strategy and Corporate Improvement Plan (forward looking plan) are published widely and are also available on the Council website and intranet.
- The Council's Performance Report (published in October) tells citizens and service users how we have performed against the strategic objectives.

#### ***Reviewing the authority's vision and its implications for the authority's governance arrangements***

- The Community Strategy and Corporate Improvement Plan and Performance Report are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework has been developed.
- The Council is a lead partner of the Caerphilly Local Service Board (LSB). During 2012/13, following guidance issued by Welsh Government in June 2012 entitled "Shared Purpose-Shared delivery: guidance on integrating Partnerships and Plans", the LSB has developed and produced "Caerphilly Delivers", its Single Integrated Plan, which replaces the Community Strategy and other strategic plans. This Strategic Plan to be implemented from April 2013 onwards details the LSB vision, and following analysis of a Unified Needs Assessment, has identified five outcomes for delivery, namely:

Prosperous Caerphilly  
Safer Caerphilly  
Healthier Caerphilly  
Learning Caerphilly  
Greener Caerphilly

Under each of these outcomes, specific priorities have been identified to be delivered via a revised delivery structure, which rationalises previous partnerships and plans.

“Caerphilly Delivers” (The LSB Single Integrated Plan) was considered and approved by Caerphilly LSB on 17<sup>th</sup> April 2013 and Caerphilly County Borough Council on 23<sup>rd</sup> April 2013.

***Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources***

- Service level Improvement Plans contain key service objectives that are geared, where appropriate, towards achieving the overall strategic objectives detailed in the Council's Improvement Plan. They also contain targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual annual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council uses a performance management software system, Ffynnon, which is used to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. In respect of published data e.g. in respect of improvement objectives, this is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Corporate Management Team, Directorate Management Teams, Executive Cabinet and Scrutiny Committees.
- Albeit that there is an established process in place, as outlined above, it is recognised that a review is now required to ensure these procedures are best able to take the Authority forward in the medium term in light of reducing budgets, a change of emphasis in the Outcome Agreement Grant terms and conditions, the need to introduce self evaluation on a consistent corporate basis and finally the delivery of the Single Plan.

***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication***

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Scrutiny Committees. Biannual Performance Management Scrutiny Committees have been established for each of the Council's scrutiny themes.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority. Delegated power decisions and information items are published on the intranet.
- The Council publishes an annual improvement plan which sets out key priorities agreed by the Council, its committees and chief officers under their delegated powers and a performance report which details progress against these.
- The Council's Constitution is being reviewed as it has been accepted that this has not been undertaken for a number of years.
- In addition to the review of the Constitution a training need has been established for Members and Managers of the Authority, to ensure that all are aware of relevant policies, protocols and arrangements.

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- Both members and officers are made aware of the personal conduct and disclosure requirements and they are available for reference on the Council's intranet.
- The WAO Public Interest Report has raised significant concerns in respect of conflicts of interest, particularly with regard to the role of officers. Much work is now required as part of the Action Plan to deliver significant improvement in this area.

***Reviewing and updating standing orders for contracts, financial regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Monitoring Officer in conjunction with senior officers and members undertakes periodic reviews of the Council's Constitution including a review of Standing Orders for Contracts, Financial Regulations and the Scheme of Delegation.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.
- The Authority has acknowledged that this area needs strengthening. This will form part of the Action Plan.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities***

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- The Terms of Reference have been recently updated.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

Monitoring Officer;  
Section 151 Officer;  
Internal Audit;  
External Audit;  
Performance management framework.

- The Council had in recent years designated the Head of Legal Services as Monitoring Officer, who played a key role in ensuring compliance. After consulting with the Deputy Chief Executive Officer, the Monitoring Officer would report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The WAO Public Interest Report has identified serious failings in this area and has deemed senior pay rises from September 2012 to 17<sup>th</sup> January 2013 to be unlawful.

- In the light of this Public Interest Report the Acting Chief Executive has strengthened the roles of both the Monitoring Officer and Section 151 Officer. The Monitoring Officer role has been temporarily set apart from the Head of Legal Services role, to create a new stand alone role with a more focused remit. Additionally the Section 151 role has been incorporated into a new temporary post of Director of Corporate Services and S151, and is no longer at Head of Service level. These 2 key statutory posts report now directly to the Acting Chief Executive and attend Corporate Management Team. The Internal Audit Manager role now reports to a Director rather than a Head of Service again strengthening the profile. The effectiveness of this temporary arrangement will be reviewed periodically but as a minimum every 6 months, until such time as permanent and appropriate arrangements are put in place.
- The standard committee reporting procedure and template requires the Monitoring Officer to examine reports to the Executive for compliance with legal and procedural issues. His/her comments are referred to the Councils Corporate Management Team for action.

***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- The Council has a Whistle Blowing Policy, which has been widely publicised via the Council web site, intranet and other channels.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- It has been recognised that the Audit Committee has a more proactive role to play in monitoring the level of complaints and the procedures that are in place.

***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training and development plans are in place for members. Where identified by the PDR process senior officers participate in management development training.
- All senior officers participate in the corporate staff appraisal scheme.
- It has been recognised that the induction and training of members is sporadic in respect of some committees.
- A review of induction arrangements for officers is being undertaken as this area should be improved.
- Appropriate training will be delivered where identified in the Action Plan.

***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

- Up to date strategies are in place in respect of communications, marketing and consultation.
- A corporate database of formal consultations is maintained to reduce duplication of consultation.

***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements***

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.
- Since 1999 a "Compact Agreement" has been in place which is a local agreement for governing the relationship between public sector organisations within the County Borough

and third sector organisations. In April 2013 a revised Compact Agreement was published for the period 2013 to 2017 bringing together the following partners: Gwent Association of Voluntary Organisations, Caerphilly County Borough Council, Gwent Police, the Police and Crime Commissioner for Gwent, Aneurin Bevan Health Board, South Wales Fire and Rescue Service, Community and Town Councils and the Caerphilly Business Forum. The Compact Agreement recognises the mutual benefits that can be gained from close co-operation and sets out guidelines for how all parties should work together.

•Key partnerships and partners are invited to attend the biannual Caerphilly Local Service Board Standing Conference, which focuses on communicating progress made on the delivery of LSB priorities, which include “Caerphilly Delivers” (the Single Integrated Plan), tackling the impact of poverty and reducing the harm caused by alcohol, and associated programmes/projects/initiatives.

### **Review of effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the corporate services governance group within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, including in particular those designed to ensure:

- The Authority’s policies are put into place.
- The Authority’s values are met.
- Laws and regulations are complied with.
- Required processes are adhered to.
- Performance and Financial statements and other published information are accurate and reliable.
- Human, financial and other resources are managed efficiently and effectively.
- High quality services are delivered efficiently and effectively.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

#### ***Corporate Level Review***

A management group consisting of the following officers and the Cabinet member for HR and Governance has been established to oversee the compilation of the Annual Governance Statement:

- Acting Director of Corporate Services and S151;
- Head of Legal Services;
- Head of Performance and Property;
- Monitoring Officer;
- Internal Audit Manager;
- Head of ICT and Customer Services

The group have conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

The arrangements have been strengthened since March 2013 taking on board the findings of a WAO report on the AGS Statement.

**Directorate Level Review**

The Council has also introduced Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

**Monitoring Officer**

This role is now a standalone post to ensure sufficient resource is directed to the Improving Governance agenda. This is an interim arrangement and is under review.

**Scrutiny Committees**

The Council has Scrutiny Committees who meet in public and make recommendations on the improvement and development of policies and hold the Executive and officers exercising delegated powers to account for their decisions.

**Audit Committee**

The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.

**Standards Committee**

The Council has appointed a Standards Committee in accordance with the provisions of S.53-55 & S.81(5) Local government Act 2000 and associated regulations. Their terms of reference are set out in the Council's Constitution.

**Performance Management**

The Performance Management Unit is responsible for developing and maintaining the Council's performance management framework in accordance with the Wales Programme for Improvement. It supports and challenges the Council as a whole, and the individual services, to continuously improve its services and works with the external auditors to co-ordinate inspection programmes.

As referred to earlier in the Statement a review of these arrangements is now required.

**Internal Audit**

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. Each report includes recommendations for improvements and an agreed management action plan. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Internal Audit Section is subject to regular inspection by the Council's external auditors.

The Internal Audit Manager reports directly to a member of Corporate Management Team, the S151 Officer.

**External Audit**

In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

**Review Outcome**

The review of the Council's governance arrangements has identified one major area where improvements could be made to strengthen the existing procedures and processes:-

- a) Improving Corporate Governance. Issues relating to this matter and the means of progressing and monitoring the delivery of improvements have been covered throughout the main body of the statement.

The previous year's AGS had determined that there were 2 major areas where improvements could be strengthened, these were:-

- a) The formulation and implementation of a suitable system of controls and governance in relation to the collaborative arrangements that are currently being developed.
- b) The further development of the Council's Business Continuity arrangements.

The Authority has considered these 2 areas for improvement above and determined that the lessons learnt from the workstreams in respect of both the Integration proposals for Social Services between Blaenau Gwent and Caerphilly CBC, plus the establishment of the Education Achievement Service and Project Gwyrdd along with the smaller collaborative ventures such as Procurement with Merthyr and Pest Control with Blaenau Gwent, have strengthened the Authority's position in respect of collaborative arrangements, albeit that it is recognised that there are always improvements in respect of the business case and internal challenge that can be made.

The second area of improvement related to Business Continuity. The Authority's Emergency Planning arrangements have been recently tested to the full as a consequence of the Cwmcarn High School issues relating to asbestos, and it needs to be noted that Business Continuity never covered this element of service delivery. It has been identified that Business Continuity exists in most front line service areas and IT but that there is no consistent approach. Recent reports to the Corporate Governance Panel and CMT have agreed a strategy that has been adopted by the Authority which should ensure that there is both a strategic and consistent approach to Business Continuity.

**Signed**

Harry Andrews  
Leader of the Authority

Nigel Barnett  
Acting Chief Executive