

DRAFT**CAERPHILLY COUNTY BOROUGH COUNCIL****ANNUAL GOVERNANCE STATEMENT FOR 2013 / 2014****Background**

Since the publication of the previous year's Annual Governance Statement the Wales Audit Office (WAO) published a further Public Interest Report in December 2013 arising out of findings in respect of the Buy Out of Annual Leave / Essential User. The report, which followed a referral to the WAO by the Council's S151 Officer was presented to Council on the 28th January 2014. The Report highlighted a number of procedural failings by the Authority. In April 2013 as part of the improving governance programme. The Authority established the Improving Governance Programme Board (IGPB). This has successfully driven the Council's Action Plan approved by Council in April 2013. The Board is now well established with a regular reporting format to ensure that Corporate Management Team play an active role in the delivery of improved corporate governance arrangements. In addition Cabinet are updated regularly and there are progress Reports to the Audit Committee.. The Action Plan has been extended to include the recommendations set out in the Public Interest Report mentioned above.. In addition in January 2014 the findings of the Special Inspection (SI) on Corporate Governance undertaken during the Autumn of 2013.were presented to Council. This SI acknowledged the progress made by the Authority in respect of improving its corporate governance. Since January 2014, further progress has been made. The Improving Corporate Governance Programme Board is still meeting to ensure that the remaining actions are satisfactorily concluded.

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 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 Authority has undertaken significant work to improve those shortcomings, which were reflected in the SI published in January 2014.

The purpose of the governance framework

The governance framework comprises the systems processes, 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 2014 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 Council's Corporate Plan will set out the Council's aspirations, priorities and Improvement Objectives. These are derived from the Caerphilly Single Integrated Plan (Caerphilly Delivers), which clearly articulates a shared vision for Caerphilly County Borough Council and its strategic partners.
- Long term outcomes and interim performance standards have been established for each Improvement Objective.
- The Single Integrated Plan (forward looking plan) is published widely and is also available on the Council website and intranet. Similarly the Council's Corporate Plan will be published from June 2014 onwards.
- The Council's Annual Performance Report (published in October) tells citizens and service users how we have performed against the Improvement Objectives as required under the Local Government Measure 2009.

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

- The Single Integrated Plan, Corporate Plan and annual 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). . The Single Integrated Plan 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

The Policy and Resources Scrutiny Committee on 15 April 2014 received an update in respect of the Delivery of the Plan. The Scrutiny Committee acknowledged the good work undertaken to date.

“Caerphilly Delivers” (The LSB Single Integrated Plan) was considered and approved by Caerphilly LSB on 17th April 2013 and Caerphilly County Borough Council on 23rd 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 Corporate 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.
- Performance against targets is monitored at officer and member levels, by Corporate Management Team, Directorate Management Teams, and Scrutiny Committees.
- Albeit that there is an established process in place, as outlined above, the reporting of performance is under review to ensure these procedures are best able to take the Authority forward in the medium term in light of reducing budgets, the need to introduce self evaluation on a consistent corporate basis and finally the delivery of the Corporate Plan and Single Integrated 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..
- 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 has been reviewed and refreshed in January 2014. In addition, the Council is working towards the adoption of the new All Wales Framework Constitution.
- In addition to the refresh of the Constitution, a training need had been established for Members and Managers of the Authority, to ensure that all are aware of relevant policies, protocols and arrangements. A flowchart and guidance has been produced for officers to ensure all are aware of the decision making process with regard, particularly, to Member involvement. Relevant training is ongoing.

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 Reports issued in March and December 2013 both raised significant concerns in respect of conflicts of interest, particularly with regard to the role of officers. Much work has been undertaken during 2013/14 to ensure formal notification and acceptance of the Code of Conduct by all staff, plus training events to raise awareness.

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 corporate and operational levels, the key elements of which are a Corporate Risk Register; Directorate Risk Register and Service Level Risk Assessments built into the business planning process.
- This area was strengthened during 2013/14. A Risk Management Strategy was formally agreed, training on risk was delivered to Audit Committee and Cabinet Members. The Corporate Risk Register is reported to Audit Committee and Cabinet.

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 WAO Public Interest Reports issued in March and December 2013 identified serious failings in this area
- In the light of these Public Interest Reports, the Interim Chief Executive has strengthened the roles of both the Monitoring Officer and Section 151 Officer. Both officers attend the formal Corporate Management Team meetings. The S151 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. The interim management arrangements currently in place across the Council are reviewed and agreed by Council periodically.

- 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 is currently reviewing its policy in line with legislative changes, and following the work of the Whistleblowing Commission by Public Concern at Work. Public Concern at Work is a leading Charity and has been identified as an organisation leading best practice in this area. The Authority has developed a new draft policy that is currently undergoing consultation following their assistance and model of best practice.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Audit Committee has a more proactive role to play in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented.

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 had been recognised that the induction and training of members is sporadic in respect of some committees. In order to address this issue Council has approved the implementation of a new, more focused training regime for members.
- A review of induction arrangements for officers is being undertaken as this area should be improved. Discussions have taken place initially at the HR Strategy Group prior to formal consultation/approval.
- Appropriate training has and will continue to 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.
- During 2013/14, a detailed piece of work has been undertaken identifying the partnerships and collaborations. Governance arrangements for these have also been collated. Reports in respect of this piece of work have been reported to Audit Committee; IGPB and CMT. Over the next year and under the direction of the Corporate Governance Panel random partnerships will be reviewed in order to review the robustness of the governance arrangements, and the ability for the partnership to be held to account through scrutiny.
- In addition, a Collaboration and Partnership Strategy will be developed, this will set out the requirements for creating new Partnerships and Collaborations and importantly include the arrangements for disbanding and exiting arrangements.

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 governance panel within the authority who have responsibility for the development and maintenance of the governance environment, the Manager 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, the Corporate Governance Panel, 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 and Monitoring Officer;
- Head of Performance and Property;
- Internal Audit Manager;

- Head of ICT and Customer Services/SIRO

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.

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.

Following a review by WAO, the Authority's Scrutiny arrangements have been strengthened in recent months.

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 ongoing.

Information Governance

The Head of ICT and Customer Services is the Council's Senior Information Risk Owner (SIRO), whose role is to assure the Council's information through implementation of the Council's Information Risk Management Policy. The SIRO assesses quarterly information risk returns from each Head of Service (as the information asset owner) to ensure risks are

reported appropriately, measures to reduce risk are effective and information risk management is embedded into the culture of the organisation.

The SIRO is supported by a network of information governance stewards within each Directorate who communicate key messages to staff and management across the organisation, and assist Heads of Service in assuring the information that is managed and used by their Service area.

Information assurance is also supported by the work of the Corporate Information Governance Unit and the Information Governance Project Team. This includes training a wide cross-section of staff and achieving over 99.5% completion of Protecting Information e-learning for Council computer users. The Council's Data Protection Policy and staff leaflet was sent to all employees alongside the Code of Conduct. An Information Asset Register has also been developed and the security, access and storage of information assets are under evaluation.

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. Following the findings in the SI undertaken by WAO, the role of the Internal Audit team will be changing over a 2/3 year period as recently reported to Audit Committee. The focus will move from predominantly finance based with thematic reviews undertaken where there is identified risk. There will also be a role in respect of the review of the Risk Management process, focusing on the effectiveness of the mitigation of risks.

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 the Acting Director of Corporate Services who is a member of Corporate Management Team and 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

It is acknowledged that a significant amount of work has been undertaken to improve and strengthen the Council's governance arrangements. Reports on progress have been presented on a regular basis to Audit Committee, Council and Cabinet. Progress made by the Authority was recognised by WAO in the SI published in January 2014. The work in respect of Improving Governance will continue to be undertaken and monitored. As a consequence of the progress made to date, this area is no longer seen as an area requiring major improvement.

The previous year's AGS had determined that there were 2 additional 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.

During the last year, a detailed piece of work has been undertaken to identify the Council's significant partnership arrangements to enable the Council to develop a Collaboration and Partnership Strategy. The governance arrangements for the Partnerships identified have been collated. This information has been reported to CMT, the IGPB and the Audit Committee.

In light of the completion of this work, it is therefore considered that this is no longer an area that requires highlighting as an area of major concern. Again, as with the Improving Corporate Governance Agenda, work will continue to be undertaken and monitored.

The second area of improvement related to Business Continuity. 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. Progress to date was reported to the Audit Committee on 5 March 2014. Although progress has been made, it is not seen as significant enough to enable this area of concern to be removed from the 2013/14 AGS.

There are 2 additional major areas where improvements could be strengthened. These are:-

- **Interim Management Arrangements**

The SI recognised that the extent of interim arrangements in respect of senior staff could create instability in the Authority moving forward. The Authority has acknowledged that this is a concern.

- **Improving timeliness of response to Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests**

The Council is subject to increasing numbers of requests for information and response within the statutory 20 working day period is challenging, as reported to Policy and Resources Scrutiny Committee. Failure to comply with a minimum of 85% of requests within 20 working days could result in monitoring by the Information Commissioner, which would lead to regulatory action if the Council had not improved within a specified timescale. Failure to comply with recommendations made as part of regulatory action would be dealt with as contempt of Court. A number of measures have been taken to improve performance including a reminder from the Interim Chief Executive to all Managers of the importance of prompt responses, and the situation is continually monitored.

Signed

Keith Reynolds
Leader of the Authority

Stuart Rosser
Interim Chief Executive