

**Draft Annual Governance Statement 2022/2023**

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**1. Introduction**

- 1.1 The Governance Framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community.
- 1.2 The system of internal control is a significant part of that framework. The system of internal control is based on an ongoing process designed: -
- To identify and prioritise the risks to the achievement of the Council's policies, aims and objectives.
  - To evaluate the likelihood and impact of those risks being realised.
  - To manage the identified risks effectively.
- 1.3 The 2022/23 financial year presented some key challenges for the Council, in particular the ongoing impact of the cost-of-living crisis. The Consumer Prices Index (CPI) inflation rate peaked at 11.1% in October 2022, which is the highest level in 40 years, and the impacts of this have keenly felt by both the Council and our residents. More details are provided in Section 5.2.10 of this document.

**2. Scope of responsibility**

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Council also had a duty under the Local Government Act 1999 and the Local Government and Elections (Wales) Act 2021 (Part 6 chapter one), which provides for a new and reformed legislative framework for local government elections, democracy, governance, and performance. A principal Council has a duty (Section 89) to keep under review the extent to which it is fulfilling the 'performance requirements' that is, the extent to which: -
- it is exercising its functions effectively;
  - it is using its resources economically, efficiently, and effectively; and
  - its governance is effective for securing the above.

We also have a duty to consult a range of people and to report on performance (Sections 90 and 91).

- 2.2 The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development in setting its objectives. To do this we have set and published Well-being Objectives including the steps we will take, and the resources we will need to deliver them.
- 2.3 Audit Wales and the Future Generations Commissioner accept that public bodies will publish one set of objectives covering improvement and well-being and there is an expectation that the Corporate Plan, which encompasses the Well-being Objectives is reviewed annually.
- 2.4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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2.5 The Council 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’. The Code is available through the following link: -

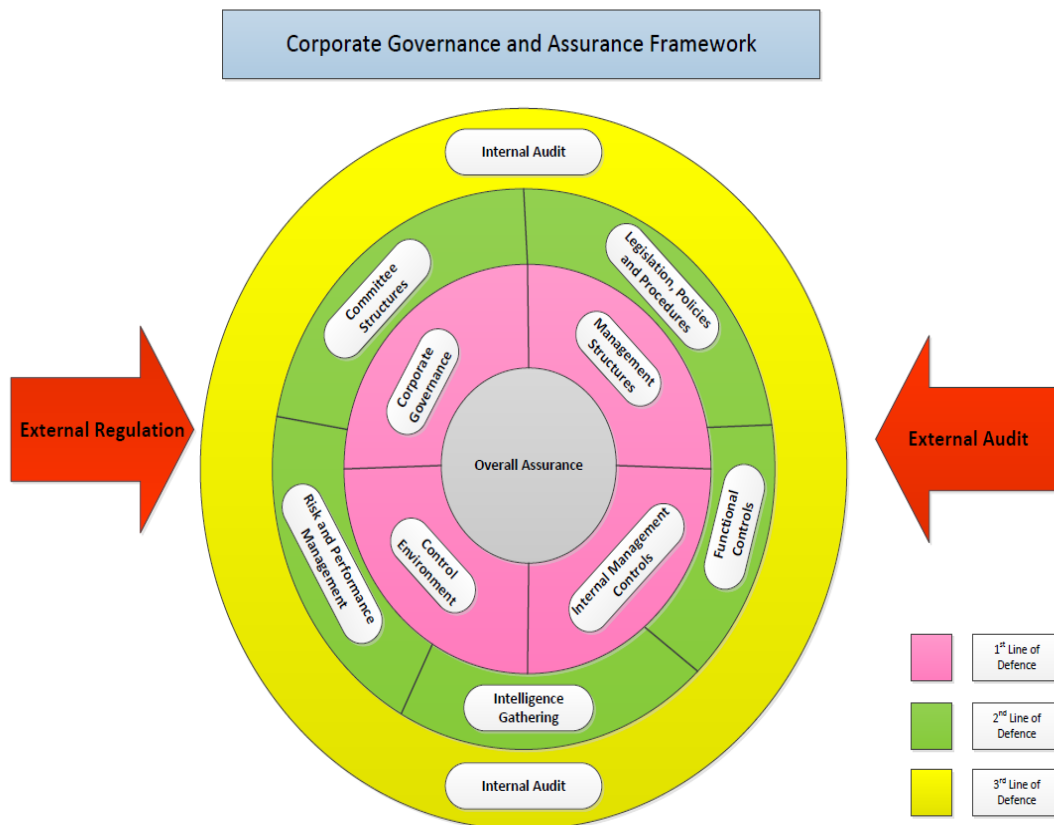
[Code of Corporate Governance](#)

2.6 The Annual Governance Statement (AGS) explains how the Council has complied with the Code and meets the requirements of regulation 5(4) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a Statement on Internal Control.

**3. The purpose of the governance framework**

3.1 The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community.

3.2 During the 2016/17 financial year an Assurance Framework was produced as a diagrammatic representation of the governance and assurance processes that are in place. The Framework was endorsed by the then Audit Committee in December 2016 and continues to be relevant. Its purpose is to provide clarity and understanding of the connections between functions and activities that enable the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.



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- 3.3 The system of internal control is an integral part of the 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 Council'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.

**4. The governance framework**

- 4.1 The following paragraphs describe the key elements of the systems and processes that comprise the Council's current governance arrangements: -

**4.1.1 *Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.***

- The Council's Corporate Plan (2018-2023), approved by Council on 17 April 2018, sets out the Cabinet's commitments, priorities, and Well-being Objectives. A copy of the revised Plan is available through the link below: -

[Link to Corporate Plan](#)

- The Well-being Objectives were informed by the information from the local assessment of well-being carried out by the Caerphilly Public Services Board (PSB). The Corporate Plan includes our well-being statement detailing why we chose our Objectives and how they will be monitored and resourced. The Plan is reviewed on an annual basis to ensure its continued relevance and at its meeting on 27 October 2021 the Council's Cabinet endorsed the relevance and continuation of the Well-being Objectives contained within the Plan.
- Long-term outcomes and interim performance standards have been established for each Well-being Objective and progress is reported via the relevant Scrutiny Committees on a six-monthly basis. Annual reports are also presented to Council on progress made.
- Through our chosen Objectives we contribute to the high level strategic PSB Well-being Plan for the county borough area ('The Caerphilly We Want 2018-2023'). Our Corporate Plan follows the same planning cycle to ensure alignment and because it is based on the same data and community.
- The Council's Annual Self-Assessment Report tells citizens and service users how we have performed against the Well-being Objectives, as required under the Well-being of Future Generations (Wales) Act 2015 and the Local Government and Elections (Wales) Act 2021.
- The Corporate Plan, PSB Well-being Plan and Annual Self-Assessment Report are endorsed by Council and communicated via media release.
- The Council structures its communications programme around the Council's Well-being themes with planned activity aligned to the chosen objectives as demonstrated in the Caerphilly newsletter and Place Shaping communications.
- Following the Local Government elections in May 2022, the newly appointed Cabinet will lead the administration until May 2027. The Council's Corporate Plan is currently being reviewed and new Well-being Objectives are being developed and will be agreed by Council later in 2023, covering the five-year period to 2028.

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**4.1.2 *Reviewing the Council's vision and its implications for the Council's governance arrangements.***

- The five PSBs in the region merged to form the Gwent PSB in September 2021 with Caerphilly CBC providing the secretariat. During 2021 and early 2022 the PSB partners produced a regional well-being assessment identifying over one hundred issues affecting well-being in Gwent, supplemented by twenty-two local community assessments. Residents, communities, and others were consulted on the findings to check that they resonated with the lived experience to produce a new regional vision of well-being. The well-being assessment is being used to develop the next iteration of the well-being plan, which will be set on a Gwent regional footprint.
- The Corporate Plan is regularly reviewed and refined to ensure we have employed the sustainable development principle to reflect our changing aspirations, at a local and national level. A yearly review is conducted and reported to Cabinet with the most recent report being considered and approved on 27 October 2021.
- The new Corporate Plan for the period 2023-2028, currently under development, is using the data from the local assessment of well-being and comprehensive community engagement to inform the new Well-being Objectives.
- The Council has used the information in the local assessment of well-being, which identified the well-being needs and strengths of the area. The Council is a facilitating partner in the Gwent PSB and leads on the data assessment work. This data assessment is used to ensure we are supporting the economic, environmental, social, and cultural well-being of the area.
- Face to face and online engagement sessions were held in the county borough as part of the ongoing Caerphilly Conversation to test the views of our communities on what the Council should prioritise. The output of each engagement exercise feeds into planning at relevant points in the year e.g. budget setting. The evidence has also been used to develop the well-being plan for Gwent 2023- 2028, to be agreed by the Gwent PSB in early summer.
- In May 2017, the Cabinet determined its current five-year plan, which runs until May 2023. This approach was taken as part of the sustainable development principle to take a longer-term view, consider how we may improve well-being, how we integrate our activity with others, particularly through collaborating with partners and our communities.
- Delivering the Well-being Objectives of the Council has taken account of the statutory guidance for public bodies under the Well-being of Future Generations (Wales) Act 2015. The Council has updated its risk registers, planning tools, self-evaluation and reporting templates.
- The Council has continued to work on its transformation programme through the Team Caerphilly - Better Together Strategy and has continued to deliver the programme of ten corporate reviews to drive the change forward. These have been developed in the light of engagement with staff and the learning from changes in working practices brought about by the Covid-19 pandemic. The reviews were agreed by Cabinet on 22 July 2020 and have continued to be reviewed for relevance and progress. The Council has reviewed the wider implications of Covid-19 on communities and has implemented a Strategic Recovery Framework to help communities overcome the worst effects of the pandemic, adopted by Cabinet on 30 September 2020. A new Well-being and Place-shaping Framework was also adopted by the Cabinet on 24 February 2021.
- The outcomes of the ten corporate reviews will help inform the next stages of the Council's transformation programme.

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

- A new performance framework was established and approved by the Cabinet on 26 February 2020. This performance framework has a number of component parts: -
  - Corporate Performance Assessment (CPA).
  - Directorate Performance Assessments (DPAs).
  - Service Planning.
  - Risk Management.
  - MyTime Extra.
  
- **Corporate Performance Assessment (CPA)** - The CPA dashboard is used by the Corporate Management Team (CMT) and Cabinet to monitor the Council's progress in delivering its strategic priorities, identifying and challenging areas of underperformance and discussing and agreeing any remedial actions that may be required. The dashboard provides a graphical and easily accessible overview of: -
  - Progress against CMT priorities, Directorate Management Team (DMT) priorities, Wellbeing Objectives, and the Team Caerphilly transformation programme.
  - Budget position (over / underspend) by Directorate.
  - Corporate risk position.
  - Sickness absence position by Directorate and Service.
  - Workforce position (starters and leavers).
  - Complaints and compliments received by Directorates.
  - Public Accountability Measures.
  - Freedom of Information requests received and compliance.
  
- The CPA dashboard is presented twice-yearly to Cabinet and will also be presented to an all-Member Joint Scrutiny Committee moving forward. The dashboard provides a position of the organisation at a point in time and enables constructive challenge and improvement activity to be agreed.
  
- **Directorate Performance Assessments (DPA's)** - The CPA dashboard is underpinned by a more detailed set of Directorate Performance Assessment (DPA) dashboards. DPAs provide Directorate Management Teams with a range of data to keep progress under review, drive performance improvement, and manage resources, intelligence and risks. Information in the DPA dashboards is grouped as follows: -
  - Overall summary of the quarter.
  - Progress on Directorate priorities.
  - Performance data.
  - Customer intelligence.
  - Resources – Financial, workforce, and assets.
  - Risk Register.
  - Well-being Objectives.
  - Lessons learned.
  - Conclusion.

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- The DPAs are received by Directorate Management Teams on a routine basis providing opportunities to account for progress, challenge performance and agree improvement activity. The DPA's have been shared with relevant Scrutiny Committees twice-yearly to date and will now be presented to an all-Member Joint Scrutiny Committee moving forward.
- The new performance framework is different from the previous process by joining a wide range of different information in the one place to form an overall self-assessment of the Directorate. This provides a “single source of the truth” and makes it easier to identify reasons for self-assessment learning and judgements.
- **Service Planning** – The approach to service planning centres on a Directorate service planning workshop, if required by the relevant Director.
- In advance of the workshop, Heads of Service are tasked with working through a set of questions with their staff to identify key priorities and targets for the year ahead; recognise service contributions to the Wellbeing Objectives; propose measures of success; and define potential risks.
- In 2022 Cabinet Members were invited to a series of workshops to provide a political leadership perspective on emerging priorities and the development of Well-being Objectives for 2023-2028. These were tested against the views of our communities, the data from the local assessment of well-being and re-tested with senior managers to determine their completeness and deliverability
- Corporate priorities are transposed into the DPA and CPA dashboards for quarterly review. The outputs are also incorporated into the MyTime Extra review process as well as being published and distributed as a booklet to staff from across the service, thus providing a golden thread throughout the organisation.
- Where services have existing mechanisms in place for setting priorities (for example Education have robust processes that meet ESTYN requirements), they will populate the DPA dashboards with the relevant information before the beginning of the financial year.
- **Risk Management** - The monitoring of risk is now embedded within the CPA and DPA dashboards rather than existing as a standalone document. As such, risks are monitored quarterly by Corporate Management Team and Directorate Management Teams with risk levels and mitigating actions being discussed and agreed.
- The CPA contains the Council's 'high level risks' and is owned and updated by CMT. DPAs contain Directorate as well as CMT risks. The Council's risk position continues to be reported twice-yearly to the Governance & Audit Committee and Cabinet.
- **MyTime Extra** – The Council has improved the Personal Development Review (PDR) process for all staff. The new approach is undertaken formally on an annual basis (MyTime Extra) and has been rolled out across the Council. The approach is based on a set of principles to support annual meetings with staff to explore what has gone well and not so well and to set goals and priorities for the following year. The concept was introduced as part of the Team Caerphilly transformation programme. The annual discussion enables staff to reflect on their prior year achievements, discuss any learning that has emerged, define their contribution to the service objectives defined at service planning workshops, and to explore their training and development needs. MyTime Extra enables a specific link to be made between the work of the individual and the priorities of the organisation.

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There are also regular individual MyTime 1-1 meetings between employees and managers throughout the year to monitor progress.

- The Council's performance framework as set out above provides Cabinet, Scrutiny Committees, CMT and DMTs with a regular and embedded mechanism for monitoring progress, managing performance, and driving improvement. The dashboards provide a 'single source of the truth,' enable key aspects of performance to be discussed, actions to be agreed, and learning to be generated. The ability to specifically link individual contributions to organisational goals provides a platform for every employee to understand how they fit, and to be recognised for the part they play in delivering the Council's objectives, thus providing a golden thread throughout the organisation.

### 4.1.4 ***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 are facilitated through the Cabinet supported by a framework of Statutory and Scrutiny Committees. Delegated decisions made by authorised senior officers, under the scheme of delegation, are posted on the intranet, when appropriate. The CMT has no collective decision-making powers, but the Chief Executive and Directors do have some delegated powers.
- The Council's Constitution is a living document and is reviewed and refreshed on a regular basis to reflect current legislation and working practices. Periodic reports are presented to the Council in relation to any proposed changes to the Constitution, with the last report being presented on 11 May 2023. In addition, Members approved that overseeing the Constitution should be added to the terms of reference of the Council's Democratic Services Committee.
- Various guidance notes for Officers and Members have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the corporate governance pages on the Council's intranet. These arrangements have now been formally embedded within the Council's governance arrangements.
- One of the ten corporate reviews undertaken as part of the Team Caerphilly transformation programme focussed on decision-making and considered whether: -
  - Governance arrangements are in place that keep us safe while supporting modern ways of working.
  - Cabinet decision-making arrangements focus appropriately on Council-wide strategic issues.
  - Scrutiny Committees focus Committee time on Council wide strategic issues aligned to the Cabinet Forward Work Programme.
  - Delegated Decision-Making capability is introduced for individual Executive Members with appropriate thresholds and safeguards in place.
- The review determined that decision-making processes were considered to be in line with peers and meet the needs of the Council.

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- Following a further subsequent review of the Constitution, at its meeting on 11 May 2023 Council approved a number of changes, the most significant of which was a reduction in the number of Scrutiny Committees from five to three.

**4.1.5 *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 both elected members and officers. These incorporate procedures for the disclosure of personal 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.
- All declarations of member gifts and hospitality are reported to the Council's Standards Committee. For officers, a quarterly update is given to the Council's Governance & Audit Committee.
- The Council has an agreed Workforce Development Strategy 2021 – 24 and one of the actions arising from it is to create a Management Development Programme to ensure current and future managers and leaders have the necessary skills to deliver the vision of the Team Caerphilly transformation strategy.
- Customer Services standards have been introduced as standards of behaviour adopted by the Council that all staff should be adhering to.

**4.1.6 *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 reviewing Standing Orders for Contracts, Financial Regulations, and the Scheme of Delegation to ensure that current practices and legislation are reflected.
- As mentioned above, one of the ten corporate reviews focused on decision making and found that the Council's governance arrangements were fit for purpose and supported modern ways of working. Following a further subsequent review of the Constitution, at its meeting on 11 May 2023 Council approved a number of changes, the most significant of which was a reduction in the number of Scrutiny Committees from five to three.
- The standard member reporting procedure requires 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 Registers and Service Level Risk Assessments. These are all key elements of the new performance framework that was approved by Cabinet on 26 February 2020.
- The Council has formally agreed a Risk Management Strategy which was originally endorsed in 2013 and updated in 2017. More recently, an updated Risk Management Strategy was approved by the Governance and Audit Committee on 25 January 2022. The updated Strategy is available through the following link: -

[Risk Management Strategy 2022](#)



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- The Corporate Risk Register is reported to the Governance and Audit Committee twice-yearly, with CMT providing quarterly updates through the CPA. The Cabinet also receives mid-year and year-end updates as part of the Corporate Performance Assessment (CPA). Scrutiny Committees also receive updates through Directorate Performance Assessments (DPAs).

### 4.1.7 ***Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.***

- The Council has appointed a Governance & Audit Committee, with terms of reference that comply with CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- Training for new members of the Committee and refresher training is carried out periodically and at least twice in a Council term. Ad-hoc training is provided as required or where specific needs have been identified.
- The Terms of Reference are reviewed and updated periodically with the latest review being completed in February 2021 and reported to the Committee on 19 March 2021.
- Lay members have been appointed in accordance with the Local Government and Elections Act (Wales) 2021 in readiness for the new municipal cycle which started in May 2022.
- During the 2023/24 financial year a self-evaluation and skills/knowledge assessment will be undertaken for the Governance and Audit Committee based on the latest CIPFA guidance.

### 4.1.8 ***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 the following: -
  - Corporate Management Team.
  - Directorate Management Teams.
  - Heads of Service.
  - Head of Legal Services & Monitoring Officer.
  - Head of Financial Services & S151 Officer.
  - Senior Information Risk Owner (SIRO).
  - Data Protection Officer.
  - Internal Audit.
  - External Audit.
  - Performance Management Framework.
- The Head of Legal Services & Monitoring Officer and the Head of Financial Services & Section 151 Officer attend each formal meeting of the Corporate Management Team, have regular briefings with the Chief Executive, and also attend all Cabinet meetings. Furthermore, the standard committee reporting procedure and report template requires these Officers to examine reports to the Executive for compliance with legal and procedural issues. The report template also includes a section on financial implications which is reviewed by the Head of Financial Services & S151 Officer.
- The Council has a Deputy Monitoring Officer and during 2022/23 Council approved the establishment of a new Deputy Chief Executive post and a new Deputy Section 151 Officer role, thus providing further resilience for the organisation.

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

- The Council has in operation a widely publicised Whistleblowing Policy, which forms part of the Council's Constitution. This is overseen by senior officers within the Council and reported to the Council's Standards Committee on an annual basis.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Governance & Audit Committee has continued to play a more proactive role in monitoring the level of complaints and the procedures that are in place, with reports being presented periodically. The Cabinet also receives reports to enable the executive to review the complaints dealt with under the Corporate Complaints policy. In addition, individual Scrutiny Committees may receive reports on complaints when requested.
- There are a number of avenues for members of the public to report concerns, complaints and other matters.
- One of the corporate reviews undertaken included a review of complaints handling, with the aim being to ensure consistency across the Council together with the introduction of a new centralised complaints logging system. The new logging system has been developed and as a result of ongoing trials changes are being made to the system to enhance the features available, which in turn will streamline the process further. It is anticipated that the system will be fully rolled out by the end of the year and will provide data that will allow services to be refined and improved.

**4.1.10 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 through the staff appraisal process, senior officers participate in management development training.
- Council approved an Induction Programme which was implemented following the Local Government elections in May 2022 and includes certain aspects of member training as mandatory.
- In order to meet members specific ongoing training needs, feedback is sought following the Induction Programme and a Training Needs Analysis Questionnaire is distributed to all members with the responses reviewed and the outcome used to inform future training programmes.
- The Council continues to participate in the Leadership Programme facilitated by the Welsh Local Government Association (WLGA), which comprises training for members who hold or aspire to hold senior office.
- A review of induction arrangements for officers is being undertaken as this area can be improved. Although some progress has been made with developing an I.T. solution, this is still in progress and needs review in line with the impact of the GDPR.
- As mentioned in Section 4.1.5 leadership and development competencies are being reviewed to identify effective behaviours that are needed to deliver the vision of the Team Caerphilly transformation strategy, and the skills and values required from all staff. A new fixed-term Principal Human Resources Officer has been appointed to assist with this work.

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

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- The Council has a strategically embedded corporate communication strategy which defines the way the Council will communicate with its staff, residents, partners and other stakeholders. In February 2020, the Council also adopted its Consultation and Engagement Framework, setting out a series of high-level principles which build upon the way the Council engages with its citizens and supports enhanced consultation and engagement activity across communities. The framework complements the principles within the Corporate Communication and Engagement Strategy and also has clear links to the Council's Team Caerphilly transformation strategy. The framework's intentions are: -
  - To highlight the continued importance of effective consultation and engagement and the clear strategic link to the decision-making process.
  - To demonstrate the key role that engaged, empowered communities have in supporting the future proofing of Council services.
  - To provide a clear definition of engagement and explain the 'Spectrum of Engagement'.
  - To outline the principles and standards that underpin meaningful engagement and consultation.
- Since its adoption, the Council has made good progress in building upon these intentions. Internally, the Council's engagement team have organised a series of awareness raising/information sessions for staff on effective consultation and engagement.
- The Council has also undertaken a number of significant consultation exercises since the framework's inception. The "Caerphilly Conversation" is an ongoing resident survey which seeks resident views on a wide range of subject areas, including satisfaction with Council services, service transformation going forward, what the Council should focus on, and the role of communities.
- The feedback from these surveys has been shared with CMT, Cabinet and the wider staff group, and the information is used for service and financial planning.
- During 2022/23 the Council has been developing a new on-line engagement platform to complement face-to-face activity. This platform dubbed 'Engagement HQ' allows topic based and geographically based engagement, including mapping, sentiment analysis, analytics and feedback in an open and transparent common tool to be used across the Council.

### 4.1.12 ***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the CIPFA Framework "Delivering Good Governance in Local Government" and reflecting these in the Council's overall governance arrangements.***

- The Council has adopted a partnerships and collaborations framework which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.
- In addition, the framework sets out the requirements for creating new partnerships and collaborations and importantly includes the arrangements for disbanding and exiting arrangements.
- The Council maintains details of all current partnerships and collaborations, and this is reviewed and updated bi-annually.

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- The Council has long-standing partnership arrangements with the third sector and has enshrined these in its joint agreements. In 2013 this agreement brought in the PSB partners, third sector organisations, Community and Town Councils and the Caerphilly Business Forum. The Third Sector Partnership Agreement has been updated to align with the PSB's Well-being Plan, "The Caerphilly We Want 2018-2023" and was signed by all PSB organisations in July 2019.
- From 2021 partnership governance started to be developed to provide a framework for the up-and-coming Gwent Regional Well-being Plan. A new Gwent Third Sector Partnership agreement was developed during the latter part of 2022/23.

### 5. Review of effectiveness

5.1 The Council 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 Review Panel (which has responsibility for the development and maintenance of the governance environment), the Internal Audit Manager's annual report, and comments made by Audit Wales, Estyn, and Care Inspectorate Wales. 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 Council's policies are put into place.
- 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, data/information and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

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

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

- A Corporate Governance Review Panel has been established to oversee the compilation of the Annual Governance Statement. Membership of the Panel is as follows: -
  - Corporate Director for Education & Corporate Services (Chair).
  - Head of Financial Services and S151 Officer.
  - Head of Legal Services & Monitoring Officer.
  - Head of Transformation.
  - SIRO/Head of Customer & Digital Services.
  - Internal Audit Manager.
  - Cabinet Member for Finance & Performance.
  - Chair of Governance & Audit Committee.

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**5.2.2 Directorate Level Review**

- The Council adopts Directorate Assurance Statements requiring members of the Corporate Management Team to review the operation of a range of governance systems and procedures within their service areas, and to indicate whether there are any significant non-compliance issues. These are analysed by the Corporate Governance Review Panel 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.
- The new performance management framework has resulted in the introduction of Directorate Performance Assessments (DPA's) as detailed in Section 4.1.3.

**5.2.3 Scrutiny Committees**

- The Council has Scrutiny Committees which 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. At its meeting on 11 May 2023, Council approved a reduction in the number of Scrutiny Committees from five to three.

**5.2.4 Governance & Audit Committee**

- The Council has appointed a Governance & Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- Periodic ad-hoc training and development sessions are held for members of the Committee to ensure that they are equipped with the knowledge required to effectively undertake their roles.
- The Council appointed Lay members to the Committee in December 2021 and April 2022, in line with the requirements of the Local Government and Elections (Wales) Act 2021.

**5.2.5 Standards Committee**

- The Council has appointed a Standards Committee in accordance with the provisions of the Local government Act 2000 and associated regulations. Its terms of reference are set out in the Council's Constitution.

**5.2.6 Business Improvement Team (BIT)**

- The Business Improvement Team (BIT) is responsible for implementing and maintaining the Council's performance management framework. The Team supports and challenges the Council as a whole, and individual services, to continuously improve using relevant data and the team also supports service reviews that are undertaken as part of the Team Caerphilly – Better Together transformation programme.
- The BIT is part of the Council's Service Improvement and Partnership Unit which includes Policy, Equalities, Welsh Language and voluntary sector support. This has strengthened our approach to performance management by reinforcing the links to our policy and planning activities. It has enhanced our ability to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 in terms of having a lead role within the Gwent Public Services Board (PSB), demonstrating our own contribution to the well-

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being goals for Wales, delivering our Well-being Objectives, and embedding the sustainable development principle.

- The BIT also works with the Council's external auditors to co-ordinate audits and inspections, and the outcomes and recommendations arising from these audits and inspections are reported to and monitored by the Chief Executive, CMT and the Governance & Audit Committee.

### 5.2.7 Information Governance

- The Council's Information Governance structure continues to provide assurance that information is used appropriately and kept securely.
- The Head of Customer & Digital Services is the Council's Senior Information Risk Owner (SIRO), and the Procurement and Information Manager is the Deputy SIRO.
- The SIRO's role is to assure the Council's information through implementation of the Information Risk Management Policy.
- The process for Heads of Service, as Information Asset Owners, to submit half-yearly information risk returns to the SIRO continued throughout 2022/23. The process provides the SIRO with enhanced visibility to ensure risks are reported appropriately, measures to reduce risk are effective across all services, and information risk management is embedded into the culture of the organisation.
- Information Security reports directly to the Procurement and Information Manager. The recruitment of a dedicated IT Security Manager and apprentice took place during 2022/23 to increase capacity in response to increasing cyber security risks.
- The Data Protection Officer (DPO) required by Article 37 of GDPR is the Information Governance Manager. This post provides DPO reports to CMT via the SIRO and the relevant Cabinet Member quarterly. The post also fulfils the DPO function for all of the Council's Schools via a Service Level Agreement and works closely with Legal Services via the Exemption Panel.
- A network of Information Governance (IG) Stewards within each Service Area assist Heads of Service in assuring their information by communicating key messages on IG policies and training and developing and maintaining a GDPR compliant Record of Processing Activities via Information Asset Registers and Privacy Notices.
- Investment in Information Governance continued throughout 2022/23 with the contract for the existing Information Compliance Officer extended for an additional year and two additional Information Compliance Officers recruited in March 2022 to improve the Council's data protection and access rights (Freedom of Information Act 2000 and Environmental Information Regulations 2004) compliance.
- Encouraging effective records management practices across the Council including during the set-up of new technologies, will continue, to ensure records repositories are well managed and to encourage services to make the best use of Council data.
- Effective records management, especially of electronic formats, will also help to address growing demands of information rights requests whilst staff Council-wide work in an agile way. The potential to automate aspects of information requests is being explored, alongside other measures to manage the volumes of requests received.
- Information Governance and IT Security continue to work closely together, and this will continue moving forward.
- At its meeting on 14 June 2022, the Governance & Audit Committee considered the 'Draft Cyber Security Strategy 2022-2025', and this was

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subsequently formally approved by Cabinet at its meeting on 30 November 2022.

[Cyber Security Strategy 2022-2025](#)

### 5.2.8 *Internal Audit*

- Internal Audit Services 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, which is agreed by the Chief Executive and the Governance & Audit Committee. 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. CMT and the Governance & Audit Committee receive regular updates on progress against Internal Audit recommendations.
- During 2017/18 the Internal Audit Services' conformance with the Public Sector Internal Audit Standards (PSIAS) was subject to external peer review which determined that with the exception of a few minor issues the Section was compliant. A new review cycle has now been entered into and plans are in place for a further external review to take place during 2023/24
- In recent years, a number of the Internal Audit Team staff have left the Council's employment due to retirement or resignation. However, good progress has been in recruiting to these posts with just one vacant post now remaining. Furthermore, the capacity of the team has been increased, and four members of staff are now studying for formal qualifications with one further staff member to commence studies in September 2023.
- During the 2021/22 financial year an Anti-Fraud Strategy was drafted, and this was endorsed by the Governance & Audit Committee on 14 June 2022. The Strategy is underpinned by an Action Plan that was presented to the Committee on 11 October 2022.

[Anti-Fraud Strategy](#)

[Anti-Fraud Action Plan](#)

- Based on the audit work undertaken during the 2022/23 financial year the Acting Internal Audit Manager has concluded that overall the Council's systems and control procedures are effective.

### 5.2.9 *External Audit (Audit Wales)*

- The Council receives Audit Wales reports on the annual statement of accounts, and other areas such as financial management and the financial position, performance management, risk management, and governance.
- At its meeting on 18 April 2023, the Governance & Audit Committee received the Audit Wales 'Annual Audit Summary 2022' which provided a summary of audit work completed since the previous Audit Summary issued in January 2022. The report is available through the following link: -

[Annual Audit Summary 2022](#)

- CMT and Cabinet meet annually with Audit Wales, Care Inspectorate Wales and Estyn as part of an Assurance & Risk Assessment Review and this informs the

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forward work programme for audit reviews and inspections. CMT and the Governance & Audit Committee receive regular updates on progress against recommendations arising from Audit Wales and Regulator reviews.

**5.2.10 Extraordinary Events – Cost-of-Living Crisis**

- The 2022/23 financial year presented some key challenges for the Council, in particular the ongoing impact of the cost-of-living crisis. The Consumer Prices Index (CPI) inflation rate peaked at 11.1% in October 2022, which is the highest level in 40 years, and the impacts of this have been keenly felt by both the Council and our residents.
- During 2022/23 the Council received grant funding from the Welsh Government (WG) for the Cost of Living Support Scheme and administered circa 76,000 payments to our residents totalling £11.6m. The Council also made in excess of 24,000 Winter Fuel Payments totalling ££4.8m on behalf of WG.
- At its meeting on 04 October 2022, Council agreed to set aside £3m usable reserves to create a Cost of Living Hardship Fund to support a range of initiatives that will assist our communities.
- The cost of living crisis has impacted on Council budgets with financial pressures being experienced across all areas, in particular energy, fuel, food and drink, and construction/contractor costs. Despite this, the Provisional Revenue Budget outturn position for 2022/23 shows a net underspend of £8.9m across all service areas (including schools and the Housing Revenue Account (HRA)).
- The financial position will remain extremely challenging moving forward and the 2023/24 budget proposals approved by Council on 23 February 2023 included total cost pressures of £55.4m. These pressures are being funded through an increase in the Welsh Government Financial Settlement of £22.2m, permanent savings of £4.9m, temporary savings of £6.9m, the one-off use of reserves totalling £15.3m, and £6.1m from a 7.9% increase in Council Tax.
- Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary budgetary measures that were approved for the 2023/24 financial year, the Council's Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.
- A financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced finances, a whole council and a whole county borough holistic approach has been defined and is now beginning to be delivered.
- The scale of the financial challenge facing the Council requires new approaches to service delivery and this is being led by the Chief Executive, Leader, CMT, and Cabinet and is being co-ordinated through our Transformation and Placeshaping Investment Programmes. It is vital that required changes are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2024/25 and 2025/26 can be delivered.



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**5.3 Review Outcome**

- The Council's governance arrangements are regarded as generally fit-for-purpose and are in accordance with the governance framework. The Council is committed to maintaining and improving the governance framework and resources are prioritised for this.
- The 2021/22 Annual Governance Statement identified one area where improvements could be made to strengthen existing processes and procedures during 2022/23: -

**1. In January 2023 we will present an updated Medium-Term Financial Plan to the Cabinet aligned to the emerging corporate priorities of the new administration and the Council's transformation programme.**

**Update** – An updated MTFP was presented to Full Council on 23 February 2023, and this showed a potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26. The Council's Corporate Plan is currently being reviewed and new Well-being Objectives are being developed and will be agreed by Council later in 2023, covering the five-year period to 2028.

- The review of the Council's governance arrangements operating throughout 2022/23 has highlighted one area where further steps will need to be taken to ensure that sound governance arrangements are in place and are fit-for-purpose to deal with emerging issues: -
  - 1. During Autumn 2023 we will present a further update on the MTFP to Cabinet and Council along with specific proposals to address the anticipated financial gap aligned to our Transformation and Placeshaping Investment Programmes.**
- We propose over the coming months to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the issue identified during the review process and we will monitor implementation.

**Signed: -**

**Cllr Sean Morgan  
Leader of the Council**

Council date TBC

**Christina HARRY  
Chief Executive**

Council date TBC