

## **CAERPHILLY COUNTY BOROUGH COUNCIL**

### **DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2016/2017**

#### **1. Background**

- 1.1 During 2016/17 the work undertaken by the Improving Corporate Governance Board came to a successful conclusion. The Corporate Governance Panel will continue to meet to ensure that the governance agenda remains a key priority. This now represents a back to business as usual situation.

#### **2. Scope of responsibility**

- 2.1 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 (Wales) 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, improvement is defined as having regard to a combination of strategic effectiveness, service equality, service availability, fairness, sustainability, efficiency and innovation.
- 2.2 The Well-being of Future Generations (Wales) Act 2015, implemented in April 2016, places a new 'duty' on public bodies to carry out sustainable development; to do this we must set and publish well-being objectives. Although consideration is being given by Welsh Government to revoking or replacing the Local Government Measure 2009 in 2017, at this time both legislations are still current.
- 2.3 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.
- 2.4 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 Council's Communications Unit. This statement explains how the Authority has complied with the code and also 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.
- 2.5 The Improving Governance Programme Board has been formally disbanded as all of the actions in connection with the recommendations and proposals for improvement identified in the Wales Audit Office Corporate Governance Inspection Report have been concluded. The outstanding HR Strategy was formally presented to Members in July 2016. The strengthened governance arrangements are now firmly embedded within the Council's decision making procedures.

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

- 3.1 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. During 2016/17 an Assurance Framework was produced as a diagrammatical representation of the governance and assurance processes in place. The Framework was endorsed by the Audit

Committee in December 2016. It is intended to provide clarity and understanding of the connections between functions and activities that enable 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.

- 3.2 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.
- 3.3 The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

#### **4. The governance framework**

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

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

- The Council's Corporate Plan sets out the Council's aspirations, priorities and Well-being 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. The Corporate Plan was approved by Council on 7<sup>th</sup> June 2016 and now incorporates Well-being Objectives, albeit that it is recognised that this is a transitional year in respect of the Well-being of Future Generations (Wales) Act 2015. In accordance with the legislation the Council's Well-being Objectives were reviewed, updated, and approved by Council on 7<sup>th</sup> March 2017 together with an accompanying Well-being Statement.
- Long term outcomes and interim performance standards have been established for each Well-being Objective. Progress is reported via the Scrutiny Committee process.
- The Single Integrated Plan (long term partnership plan) is published widely and is also available on the Council website and intranet (it should be noted this is being replaced by the Public Services Board Well-being Plan in May 2018). Similarly the Council's Corporate Plan is on the website, and updated annually. Progress is reported via the Scrutiny Committee process.
- The Council's Annual Performance Report (published in October) 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 Measure 2009.

##### **4.1.2 *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 Well-being Objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is established.

- The Council was the lead partner of the Caerphilly Local Service Board (LSB), where a Single Integrated Plan was implemented from April 2013 onwards which detailed the LSB vision. This year the Local Service Board was put on a statutory footing (as part of the Well-being of Future Generations (Wales) Act 2015) and became a Public Services Board.
- As part of the Well-being of Future Generations (Wales) Act 2015 a 'well-being assessment' has been carried out. The assessment must identify the strengths and needs of the area and lead to a set of priorities. The statutory guidance has a detailed process of what a population assessment should include. This has been followed using both quantitative and qualitative narrative to arrive at a picture of the Borough and a set of priorities for the Public Services Board.
- Priorities from the assessment are currently being refined and will form the basis of the Public Services Board's Well-being Plan with subsequent action plan for delivery.
- A Partnerships Scrutiny Committee has been established to scrutinise the work of the Public Services Board and the partner contributions to the planning and delivering collaborative well-being for the area. In addition the Council established a cross party Future Generations Panel to steer and guide the oversight of the Council's Well-being Goals. The Cabinet member for Regeneration, Planning and sustainable Development was designated as the "Future Generations Champion"

4.1.3 The commencement of the Well-being of Future Generations (Wales) Act 2015 on 1<sup>st</sup> April 2016, as noted above, brings a number of changes to the existing processes. We have established a Public Services Board (PSB) to replace the LSB. The PSB must produce a local assessment of well-being, the Well-being assessment, to be published by May 2017. Thereafter, the PSB must issue a Well-being plan (replacing the LSB Single integrated plan) that sets local Well-being Objectives to achieve the well-being goals set out in the Act. The Council is leading on this work and has completed the development of the Well-being Assessment.

4.1.4 The Council has also responded to its own duties under the Act which include a requirement to set Well-being Objectives by the 31<sup>st</sup> March 2017. The sustainable development principle, as defined in the Act, sets out five ways of working, which we are introducing into our organisational activities:

- Taking an integrated approach – to reach all the goals
- Collaborating with others – to find sustainable solutions
- Looking to the long-term – to not compromise future generations
- Involving people – the full diversity of the population
- Taking a preventative approach – by understanding root causes

[ICLIP – Integrated / Collaborative / Long-term / Involvement / Preventative]

4.1.5 The Council is required to consider the sustainable development principle in setting, taking steps towards and meeting its well-being objectives; and this should be reflected in our governance arrangements, our corporate planning, and the way in which we allocate resources.

4.1.6 To achieve this, the council has updated its Risk Registers, Planning tools, self evaluations and reporting templates to reflect the Well-being of Future Generations (Wales) Act 2015 including the 5 ways of working and revised the PSB website. In addition to the process aspect the Council is carrying out communication activities to help staff gain understanding of these changes and why they have been put in place.

- The Council has purchased (for a year) a tool “CFOinsights” which compares financial data and performance data and aims to provide correlation between spend and performance and identify impacts between the two. A project has been setup to explore the measurement outcomes in comparisons to cost against both Welsh and English authorities.
- Measuring quality is carried out by a range of consultative activities and the Council has a “household survey” carried out every two years across the whole of the Borough. The consultation measures citizens perception of quality services.

#### 4.1.7 ***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 Delivery 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.
- The Service Delivery Plans are produced after the conclusion of the services Self Evaluation. Self Evaluation has now been embedded within the Authority.
- 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 with Cabinet Members. There are also dedicated Scrutiny Committees that look at performance.

#### 4.1.8 ***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. Delegated decisions made by relevant senior officers are posted on the intranet, when necessary. CMT have no collective decision making powers, consequently CMT decisions are noted in a formal decision log against the relevant officer and when required postings are then made via the intranet.
- 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 Corporate 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 a living document and is reviewed and refreshed on a regular basis to reflect current legislation and working practices. In addition to the Annual Report presented to the Annual General Meeting, ad hoc reports are presented to Council in relation to any proposed changes. In addition Members approved that overseeing the Council’s Constitution should be an added function of the Council’s Democratic Services Committee. In addition to the ad hoc

reports presented to Council the Democratic Services Committee receives a 6 monthly update on Constitutional issues.

- Various guidance notes for officers have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the Council's corporate governance page. These arrangements have now been formally embedded within the Council's governance arrangements.

#### 4.1.9 ***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.
- All declarations of Member gifts and hospitality are reported to the Council's Standards Committee. For Officers a 6 monthly update is given to the Council's Audit Committee.

#### 4.1.10 ***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.
- 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.
- The Council has a formally agreed Risk Management Strategy which was endorsed in 2013. This has been updated and is due to go to Cabinet on 7<sup>th</sup> June 2017 followed by Audit Committee on 13<sup>th</sup> September 2017. Training is delivered to relevant Members as a matter of routine. The Corporate Risk Register is reported to Audit Committee periodically after consideration by Corporate Management Team and Cabinet.

#### 4.1.11 ***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 are reviewed annually and are updated if required.

#### 4.1.12 ***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:
  - Corporate Management Team;
  - Heads of Service;
  - Monitoring Officer;
  - Section 151 Officer;
  - Senior Information Risk Owner (SIRO)
  - Internal Audit;
  - External Audit;
  - Performance Management Framework.
- The roles of the statutory officers have been strengthened significantly. 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 Council's Corporate Management Team for action.
- In addition to the above, the Authority has a Deputy S151 and Deputy Monitoring Officer to ensure adequate cover for these roles is in place.

#### 4.1.13 ***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. The regime is overseen by senior officers within the Authority 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 Audit Committee has continued to play a more proactive role in monitoring the level of complaints and the procedures that are in place. Reports are regularly presented. In addition, individual Scrutiny Committees may receive reports on complaints.

#### 4.1.14 ***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 development scheme.
- It had been recognised that the induction and training of members was sporadic in respect of some committees. In order to address this issue Council approved the implementation of a new, more focused training regime for members which includes the identification of certain aspects of training as mandatory.

- A training needs analysis is carried out every 18 months by Democratic Services so that Members identify their own development needs and a training programme is then put together as a result of the analysis.
- The Council has undertaken a successful senior member development programme, this is a training framework for members who hold or aspire to hold senior office.
- 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.
- Appropriate training has and will continue to be delivered where identified.

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

- Up to date strategies are in place in respect of communications, marketing and consultation/engagement.
- A corporate database of formal consultation/engagement is maintained to reduce duplication of consultation/engagement.
- Extensive consultation/engagement processes have been followed in relation to the budget process following the changes last year.

**4.1.16 *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 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 University 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. Welsh Government are currently undertaking a review of third sector agreements and any future agreement will encompass those findings and the shared delivery arrangements under the Well-being Plan.
- Key partnerships and partners are invited to attend the biannual Caerphilly Public Services Board Standing Conference, which focuses on communicating progress made on the delivery of priorities, which include "Caerphilly Delivers" (the Single Integrated Plan), such as tackling the impact of poverty and more recently the Well-being of Future Generations (Wales) Act 2015, and associated programmes/projects/initiatives.
- The Council maintains details of all the current collaborations and partnerships in existence. The corporate governance panel periodically monitors these arrangements. This can include involvement of Internal Audit.
- In addition, the approved Collaboration and Partnership Strategy sets out the requirements for creating new Partnerships and Collaborations and importantly includes the arrangements for disbanding and exiting arrangements.

## 5. Review of effectiveness

5.1 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 Internal Audit Manager'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.
- 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 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;
- Interim Head of Legal Services and Monitoring Officer;
- Head of Public Protection (Corporate Policy & Performance Management);
- Internal Audit Manager;
- Acting Head of ICT/SIRO

The group has 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 significantly since March 2013 and are now firmly embedded within normal working practices.

### 5.2.2 *Directorate Level Review*

The Council has also introduced Directorate Assurance Statements requiring members of Corporate Management Team 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.

Directorates also have Directorate Risk Registers which provides a review mechanism for effective management of new and established risks.



### 5.2.3 **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.

The Council is finalising the changes to the scrutiny arrangements approved by Council in October 2015. The approved changes were significant and were intended to bring more focus to the Scrutiny of the Council's key decisions reducing the number of items on the agenda. It included the development of supporting protocols such as Task and Finish Groups, Cabinet Member statements and prioritisation matrix. The majority of the work has been concluded. The last phase included a self evaluation of the new arrangements, the outcome of this will be reported to members after the May election.

### 5.2.4 **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.

### 5.2.5 **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.

### 5.2.6 **Performance Management**

The Performance Management Unit (PMU) is responsible for developing and maintaining the Council's performance management framework in accordance with the Wales Programme for Improvement and the Well-being of Future Generations (Wales) Act 2015 as it applies to public bodies. 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.

The PMU co-ordinate and support the Self Evaluation and Service Delivery Plan process.

In an internal restructure the Performance Management Unit has been brought together with staff with corporate policy, partnership, equalities, and voluntary sector support roles, to form a Central Corporate Policy Unit. 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 Public Services Board, demonstrating our own contribution to the Well-being goals, and embedding the 5 ways of working set out in the sustainable development principle.

### 5.2.7 **Information Governance**

The Acting Head of ICT 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 half yearly 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 the Corporate Information Governance Unit and a network of information governance (IG) stewards within each directorate who assist Heads of Service in assuring the information that is managed and used by their service area. IG Stewards are responsible for communicating key messages to staff and management across the organisation on IG policies, ensuring staff are appropriately trained and developing and maintaining an Information Asset Register. Organisations need to comply with the new General Data Protection Regulation in 2018 and the SIRO is overseeing an action plan to ensure the Council's personal information is managed appropriately in readiness for this deadline.

#### 5.2.8 **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 governance reviews undertaken by the WAO over recent years the role undertaken by Internal Audit and the contribution made towards the overall governance framework is being reassessed. This process will evolve and develop over time in line with the needs of the organisation and will embrace the principles promoted within the Public Sector Internal Auditing Standards.

The Internal Audit Manager is a key contributor to the annual review of the Authority's governance processes and has concluded for the year 2016/17 that no fundamental issues or concerns have been identified as a result of the audit work undertaken. This view will be restated within the annual report that will be presented to the Audit Committee as required by the Council's Financial Regulations.

#### 5.2.9 **External Audit**

The Council receives regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

#### 5.3 **Review Outcome**

The previous year's AGS identified one area for improvement:-

- The Authority works to ensure that the requirements of the Well-Being of Future Generations (Wales) Act 2015 are progressed to ensure compliance prior to regulator reviews.

Based on the progress made to date which was reported to Audit Committee on 8<sup>th</sup> March 2017 it is recommended that this area for improvement be removed from the AGS.

The review of the Council's governance arrangements during 2016/17 has identified two areas where improvements could be made to strengthen existing procedures and processes:-

- To review and strengthen the procedures around the operation and maintenance of the cabinet forward work programme.
- Ensuring that the Authority is prepared for the requirements of the new General Data Protection Regulation 2018.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified during the review process and we will monitor their implementation over the coming months.

**Signed**

David Poole  
Leader of the Authority

Chris Burns  
Interim Chief Executive