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1.   Background

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.

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 now revoked Local Government Measure (Wales) 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised. The Local Government and Elections (Wales) Act 2021 (Part 6 chapter one) 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.

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 can be accessed through the link below: -

Link to Code of Corporate Governance

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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 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.
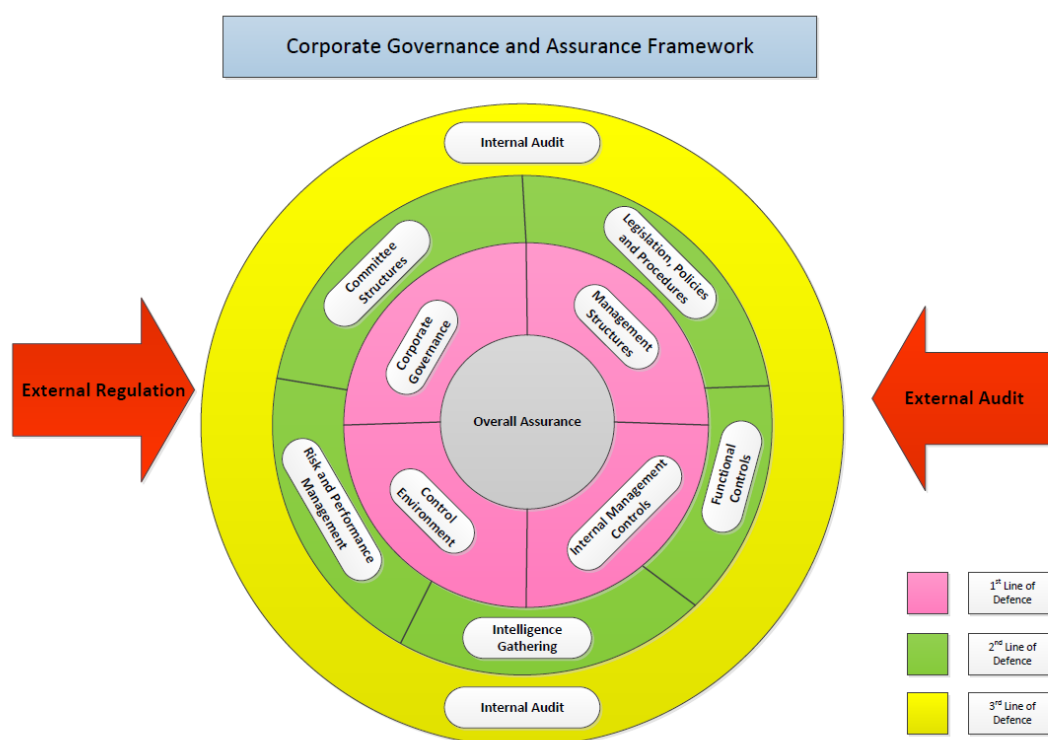
3.3 The system of internal control is an integral part of the Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system 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.

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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.
- 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 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 for the last time in 2021 under the now revoked Local Government Measure 2009.
- The Corporate Plan, PSB Well-being Plan and Annual 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.

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
- A performance management framework is established and is routinely reviewed to ensure it is fit for purpose.

- 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 PSB and leads on the data assessment work. This data assessment

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- is a regularly updated online form. We use this data to ensure we are supporting the economic, environmental, social and cultural well-being of the area.
- Due to the ongoing Covid-19 restrictions this mainly took the form of an online survey accessed through a QR code asking similar questions about people's perceptions of well-being across the region. In Caerphilly county borough online engagement sessions were held in each of the five local community areas using the same question set as a basis for a conversation about well-being. The evidence published in the regional and local well-being assessments is now being used to develop the well-being plan for Gwent in May 2023.
- In May 2017, the Cabinet determined its five-year plan. 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 developed a 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 the changed working practices brought about by the Covid-19 pandemic. The reviews were agreed by Cabinet on 22 July 2020 and continue 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 Cabinet on 24 February 2021.
- The governance arrangements for the transformation programme include a Programme Co-ordination Group and the Programme Board.

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 has been established and was approved by 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.

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> ➢ Freedom of Information requests received and compliance.

- The CPA dashboard is reviewed by CMT on a routine basis as well as being presented twice-yearly to Cabinet. The dashboard provides a position of the organisation at a point in time and enables constructive challenge and ultimately 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.

- 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 are shared with relevant Scrutiny Committees twice-yearly.
- The 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 which takes place in February each year, 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 2021 Cabinet Members were invited to workshops to provide a political leadership perspective on Directorates emerging priorities
- The final 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.
- 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 organisation'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.
- **MyTime Extra** – The Council has implemented a replacement for the Personal Development Review (PDR) process for all staff. The new approach is still undertaken formally on an annual basis (MyTime Extra) and has been rolled out across the Council, albeit that there have been some delays due to the ongoing impact of Covid-19. The new approach is based on a set of principles to support

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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 has been 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.

- 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.

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 is 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.
- 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 Meeting of Council each May, ad hoc reports are presented to Council in relation to any proposed changes to the Constitution. 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 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.
- Moving forward, one of the ten corporate reviews being undertaken as part of the Team Caerphilly transformation programme will focus on decision-making. The review will consider 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.

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.

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- 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 developed a Workforce Development Strategy and one of the actions arising from it will be to review management and leadership learning and development requirements and opportunities 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. One of the ten corporate reviews currently underway is focusing on decision making to ensure that the Council's governance arrangements keep us safe while supporting modern ways of working.
- 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 Registers and Service Level Risk Assessments. These are all key elements of the 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 Corporate Risk Register is reported to the Governance and Audit Committee twice-yearly, with CMT providing quarterly updates through the CPA. Cabinet also receives mid-year and year-end updates as part of the Corporate Performance Assessments.

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 annually and are updated. The latest review was 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 starting in May 2022.

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.

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> ➢ 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 & S151 Officer routinely attend each formal meeting of the Corporate Management Team and they 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.
- In addition to the above, the Council has a Deputy Monitoring Officer and a nominated Finance Manager will represent the Head of Financial Services & S151 Officer when required. This ensures that adequate cover for these roles is in place during periods of sickness absence or annual leave.

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. 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 currently underway includes a review of complaints handling, with the aim being to ensure consistency across the Council together with the consideration of the introduction of a centralised complaints logging system.

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.
- It had previously 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 to help members identify their own development needs and a training programme is then put together as a result of the analysis.
- The Council has previously undertaken a successful senior member development programme, which was 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 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

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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.***

- 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 2021" was a far-reaching resident survey which sought resident views on a wide range of subject areas, including satisfaction with Council services, the response to Covid, service transformation going forward and the role of communities. This was followed up by a similar but shorter survey in 2022.
- The feedback from these surveys has been shared with CMT, Cabinet and the wider staff group, with the expectation of Leader being that key feedback is incorporated into future service planning.
- A key element of the 2021 survey was a section on the role of communities. Communities highlighted they felt it would be beneficial to have a fund which would allow them to undertake projects of their own to meet community need. Directly from this, in the 2021/2022 council budget, the Community Empowerment Fund was established. The £328,000 annual fund is available on a ward-basis and facilitates projects that meet a number of key criteria established by the communities themselves

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**.**

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- The Council maintains details of all current partnerships and collaborations; this is reviewed and updated bi-annually and reported to the Corporate Governance Review Panel and Governance & Audit Committee periodically.
- 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.

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 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 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 Performance, Economy & Enterprise.
> ➢ Chair of Governance & Audit Committee.

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.

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- 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.

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.
- Lay members have been appointed to the Committee 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 the programme of service reviews that are being 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 Public Services Board (PSB), demonstrating our own contribution to the well-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 audit and inspection.

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 2021/22. 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 is planned for 2022/23 to

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increase capacity in response to increasing cyber security risks together with an 'apprentice'.

- Dedicated IT (cyber) security sessions have been undertaken with Elected Members, the Leadership Team and Management Network via Silverthorn Associates. Officers have also participated in the Welsh Government funded Bob's Business 'Phishing' campaign, which included raising awareness and training. Regular updates on IT security are provided to CMT for their consideration, which has resulted in the Chief Executive raising awareness of this key risk amongst all staff and elected members.

- 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 2021/22 with the contract for the existing Information Compliance Officer extended for an additional year and two additional Information Compliance Officers recruited in March 2022 on two-year fixed term contracts 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.

- Priorities during 2022/2023 will include continuing to improve the content, governance and security of records, continue to improve compliance with data protection and access rights and develop and implement a cyber-security strategy and associated action plan to build on staff, management and elected member awareness. Separate Corporate and Education Cyber Security Forums will be set up on a recurring basis.

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. 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.

- 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 in 2022/23.

- During the last 2 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 three members of staff are now studying for formal qualifications.

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- During the 2021/22 financial year an Anti-Fraud Strategy has been drafted and this was presented to the Governance and Audit Committee on 14 June 2022 for endorsement. The Strategy will be underpinned by an action plan that will be presented to the Committee on 11 October 2022.
- Based on the audit work undertaken during the 2021/22 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.
- In January 2022, Audit Wales issued its Annual Audit Summary for Caerphilly County Borough Council, which is available through the link below: -

  Caerphilly County Borough Council – Annual Audit Summary 2021 | Audit Wales

- In May 2021, Audit Wales issued its report 'Delivering Good Governance – Caerphilly County Borough Council'. Initially it was planned that this report would be based on a review that would answer the question '**Is the Council improving its governance arrangements so that they support its transformation agenda'**? However, for reasons set out in the report, Audit Wales instead focused more narrowly on the robustness of the Council's arrangements for the delivery of its Transformation Strategy.
- Overall, the report found that aspects of the Council's arrangements are not yet sufficiently well developed to support the increasing scale of the Council's wide-ranging transformation programme. The report included five matters for consideration and an action plan was developed setting out how the Council will respond to these matters.
- The Audit Wales report and the Council's Action Plan are available through the following links: -

  Caerphilly County Borough Council – Delivering Good Governance | Audit Wales

  Link to Action Plan

- In July 2021, Audit Wales published a report on its financial sustainability assessment of Caerphilly County Borough Council. Overall, the report concluded that the Council continues to have a strong financial position, although its current medium-term financial plan is underdeveloped. The report is available through the link below: -

  Caerphilly County Borough Council – Financial Sustainability Assessment | Audit Wales

- The report contains three proposals for improvement linked to strengthening medium-term financial planning, setting the annual revenue and capital budgets, and defining the financial benefits arising from the Council's Transformation Programme.
- The proposals for improvement have been accepted by the Council and align with the outcomes already agreed for the Sustainable Financial Planning Review, which is one of ten corporate reviews established as part of the Council's Transformation Programme.

5.2.10 *Extraordinary events – Coronavirus (Covid-19)*

- The emergence of the Coronavirus across the world posed a significant and unprecedented challenge to our way of life and the way in which the Council has provided services during the year.
- In response to the pandemic the Council refocussed, repurposed and reshaped its priorities and how it works within a very short timescale. This has ensured that we

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were best placed and equipped to respond to the immediate needs of our communities.

- The lockdown restrictions initially made it impractical to convene any political decision-making meetings so decision-making was temporarily transferred to the Chief Executive in accordance with Part 3 of the Council's Constitution for the period 24 March 2020 to 17 June 2020. Urgent decisions made by the Chief Executive were posted on the Council's intranet following consultation with the Leader and/or Cabinet and were subsequently reported to full Council for information on 6 October 2020.

- The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 introduced several changes to the mechanisms and regulations attached to Council decision-making functions. The Welsh Local Government Association (WLGA) issued a guidance note on the regulations for Councillors on 23 April 2020, which was distributed to all members

- The Council has worked towards bringing decision-making back online in a sensible, practical and manageable timeframe. Two of the key considerations in delivering this timetable were the availability of the technology to support remote decision-making and the extensive training and development programme that was required to ensure that every elected member can participate fully.

- The Council has incurred significant additional costs due to the pandemic and has lost income in several key areas. The key areas where additional expenditure has been incurred include Social Care, the provision of Personal Protective Equipment (PPE), Information Technology, the establishment of Community Hubs for childcare provision and Free School Meals.

- The main areas where income loss has been experienced include Leisure Centres, Tourism Venues and School Catering. Council Tax collection rates have also been adversely affected by the economic impact of the pandemic.

- During the 2020/21 and 2021/22 financial years the Welsh Government provided a significant financial support package through the Covid-19 Hardship Fund and a range of other specific grants to help Local Authorities manage the impact of additional costs and income losses. The Covid-19 Hardship Fund ceased on 31 March 2022 and the Council will now be required to meet any additional costs and income losses attributable to Covid-19 from its own resources. To help manage the short to medium-term ongoing financial impact of Covid-19 an earmarked reserve of £5m has been established by the Council.

- At its meeting on 30 September 2020 the Cabinet approved a Strategic Framework for Recovery setting out our strategic aim for recovery from the pandemic together with a set of underlying principles and values through which our recovery work will be guided.

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 2020/21 Annual Governance Statement identified five areas, listed below, where improvements could be made to strengthen existing processes and procedures during 2021/22. Progress has been monitored and reviewed during the year and an update is provided below: -

   1. **The Council's Risk Management Strategy will be reviewed and updated as appropriate.**

      Update – The revised Risk Management Strategy was endorsed by the Governance and Audit Committee on 25 January 2022.

   2. **We will ensure that the Council's ability to mitigate cyber risk is effective given the escalating global threats. This will include the development of a Cyber Security Strategy.**

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Update - Dedicated IT (cyber) security sessions have been undertaken with Elected Members, the Leadership Team and Management Network via Silverthorn Associates. Officers have also participated in the Welsh Government funded Bob's Business 'Phishing' campaign, which included raising awareness and training.

The Draft Cyber Security Strategy was presented to the Governance and Audit Committee on 14 June 2022.

3. **We will implement the action plan to address the five key matters for consideration included in the Audit Wales report 'Delivering Good Governance – Caerphilly County Borough Council'.**

Update – The Delivering Good Governance action plan contained 5 matters for consideration and 18 actions to address them. Good progress has been made right across the action plan with many actions completed with the focus now moving to assess the effectiveness of the actions and to refine wherever necessary.

4. **We will address the proposals for improvement in the Audit Wales report 'Financial Sustainability Assessment – Caerphilly County Borough Council' through our ongoing Sustainable Financial Planning corporate review.**

Update - The process to develop the 2022/23 Draft Budget Proposals included Finance Managers having a series of meetings with Heads of Service to identify service pressures and potential savings, which were subsequently discussed with Directors. A number of meetings were also held with CMT and Cabinet to agree priorities in terms of growth bids and investments. A longer-term view was also included as part of the budget setting progress with a focus on a three-year timeline. This resulted in the early identification of a range of cost pressures that will require consideration moving forward and revealed a potential savings requirement of circa £9.7m for the two-year period 2023/24 to 2024/25.

The cost of living crises that has emerged in recent months will put further significant pressure on budgets and a report is scheduled for Cabinet in the autumn which will provide an updated Medium-Term Financial Plan (MTFP) alongside proposals to address the anticipated financial gap. The updated MTFP will be aligned to the emerging corporate priorities of the new administration and the Council's transformation programme. An updated Capital Programme will also be prepared covering the three-year period 2023/24 to 2025/26.

• The review of the Council's governance arrangements operating throughout 2021/22 has highlighted 1 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. An updated MTFP to be presented to the Cabinet in the autumn aligned to the emerging corporate priorities of the new administration and the Council's transformation programme.

• 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: -

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Cllr Sean Morgan
Leader of the Council

Christina Harrhy
Chief Executive