Annual Governance Statement 2010/11

1. Scope of Responsibility

1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Making The Connections' report.

1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

1.4 A Code of Corporate Governance has been developed, which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, and values by which the Authority is directed and controlled and the means by which it accounts to, engages with and leads the local community. It

enables 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.

2.2 The system of internal control is a significant part of that framework and is designed to avoid inappropriate use or loss of public funds. It also assists manage the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.

2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31st March 2011. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

3. The Governance Framework

3.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) are as follows:

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; *(Putting the Citizen First)*; *(Achieving Value for Money).*
- Members and officers working together to achieve a common purpose with clearly defined functions and roles; *(Knowing Who Does What and Why);*
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; *(Living Public Service Values);*
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; *(Fostering Innovation Delivery);*
- Developing the capacity and capability of Members and officers to be effective; *(Being a Learning Organisation);*
- Engaging with local people and other stakeholders to ensure robust public accountability; *(Engaging with Others);*

3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Authority is robust.

4. Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First; Achieving Value for Money).*

4.1 The Council has published its Corporate Plan and Improvement Objectives which are aligned to the needs of the local community. In accordance with requirements, the Council has worked with its partners to develop and implement the Community Strategy to promote the economic, social and environmental well being of its area. This work was led by the Local Service Board and provides an inter agency approach to improve the quality of life of residents of the County Borough over ten years to 2020.

4.2 Whilst the Community Strategy provides the over-arching framework, the Council has a central role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with when decisions are being made. In setting its improvement objectives, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies. The Corporate Plan adopted in 2010 is aligned with the Community Strategy and provides focus and direction for all the Councils services, elected Members, employees, partner organisations, service users and other stakeholders.

4.3 The Council's Improvement Objectives must be reviewed on an annual basis and this work gives direction for Directorate Business Plans. Arrangements are in place for progress against the improvement objectives to be reviewed on a quarterly basis.

4.4 The Council has adopted a Medium Term Financial Plan for the period 2011/12 and 2013/14 The Plan provides the financial framework for the next 3 years and the budget strategy for the next financial year. The annual revenue budget together with the capital programme enables the Council to align its financial resources with its priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committees, with Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

4.5 Priorities for service improvement are identified in Directorate Business Plans and there are a range of projects in progress to ensure these are achieved. The corporate programme management board is overseeing a number of major initiatives including:

- School modernisation;
- Adult Social Care Remodelling;
- Porthcawl Regeneration;
- Job Evaluation;
- Reconfiguring Leisure Services.

4.6 The Auditor General's Annual Improvement Report on the Council was published in January 2011. The reports main message is that the Council is improving in a number of areas. It has particular strengths in the way political and managerial leaders have worked together to tackle

some longstanding issues, the way it plans its services, the way it works with other organisations and the way it manages its money. While progress is being made there are still areas that need further development if future improvement is to be secured; including developing a robust approach to business planning and refining future arrangements for performance management and workforce planning.

4.7 Activity that demonstrates commitment to Principle 1 - **"Putting the Citizen First"**, included:

- Ongoing use made of the Citizens' Panel and extensive public engagement activity undertaken within areas such as Regeneration, HSCWB strategy, CYP Plan, Community Safety;
- Development of draft Citizen Engagement Strategy;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. focus groups on future of library services;
- Work of the Homelessness REP engaging with users, registered social landlords, providers and other stakeholders.

4.8 Other significant points that support compliance with Principle 1 in 2010/11 include work undertaken with partner agencies to develop a new Compact with the Voluntary Sector. A new contract for the collection and disposal of waste entered into with May Gurney. Extensive engagement was also undertaken in the year with stakeholders and service users of Adult Social Care and Healthy Living services.

5. **Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why*).**

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:

- The Council sets the overall budget and appoints the Leader of Council;

- The Council appoints the Cabinet and allocates portfolios;

- Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;

- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;

- The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;

- Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;

5.2 There is a Standards Committee to promote high standards of conduct and support members' observation of the Model Code of Conduct.

5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure set the overall framework and in general are not subject to frequent change. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed . The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989.

5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes to undertake. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board.

5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by Human Resources.

5.8 The Assistant Chief Executive – Performance is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.

5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.

5.10 The Corporate Governance diagnostic published by WAO in 2010 identified that the Council was able to demonstrate a number of positive indicators under Principle 2 and these included:

- Mature relationship – senior officers and cabinet members understand each others roles
- Strong leadership from leader, cabinet and Chief Executive
- Corporate directors and Management Board collectively have a clear sense of direction
- Improved quarterly business review and planning processes, aligned with Improvement Plan
- Role of scrutiny in policy development is beginning to evolve.

5.11 However the review also identified that the collaborative culture at the top of the organisation needs to be cascaded down to become evident in all service areas.

6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values).*

6.1 The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values. The good governance diagnostic found that 90% of staff and Members surveyed believe the Council core values were clearly set out and that openness and transparency runs through the organisation.

6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made.

6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

6.4 Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also hears allegations of misconduct by members.

6.5 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.

6.6 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee were revised in 2010 and are consistent with the core responsibilities as recommended by CIPFA.

**7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery).*

7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential)..

7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.

7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution provides for the Chairs of these committees to be held by individuals that are not of the same political party as the Administration. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.

7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.

7.5 Policies and procedures that assist govern the Council's operations include Financial Regulations, Procurement procedures and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.

7.6 The Council has a well-developed performance management framework linking the Community Strategy to the Corporate Plan and then to Directorate, Service and Team Plans. Links to the appraisal process can be readily established for middle and senior managers.

7.7 The diagnostic work undertaken by the Wales Audit Office revealed that the Council has shown an appetite for challenging and improving services. The findings also reflected the fact that a high percentage of Members and senior officers believe the Council strives to achieve more innovative ways of delivering services.

7.8 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.

7.9 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. The Risk Manager regularly reviews the register and the action being taken to mitigate the risks.

The main risks currently facing the Council include:

- Impact of the recession and using resources effectively
- School Modernisation
- Remodelling of Adult Social Care
- Implementing a new pay and grading system (Job Evaluation)
- Supporting Vulnerable Children
- Maintaining Infrastructure
- Reconfiguring Leisure Services
- Impact of Homelessness

7.10 The Council's approach to Risk Management ensures that key risks are considered within the determination of Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.

7.11 The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. In particular, the financial procedure rules and Contract procedure rules and the scheme of delegation provide the framework for financial control. The Assistant Chief Executive – Performance has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory Annual Statement of Accounts.

**8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation).*

8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction

to familiarise them with protocols, procedures, values and aims of the Council.

8.2 There is a Member Development Strategy, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.

8.3 The Council's Staff Appraisal System enables individuals to understand how they contribute to achieving the aims of the Council. The process recognises that most actions are delivered by individuals working in teams to achieve set priorities. The Appraisal system is an important part of the Council's Performance Management Framework.

8.4 During 2010, the Council was awarded 'Charter status' for its Member development and the arrangements in place to support members in their roles. A number of initiatives are now being taken forward including Personal Development plans for Members, annual reports and a mentoring scheme in advance of the 2012 elections.

8.5 The Council maintains a set of management standards that seek to promote High Performing Behaviours. These are built around the 'FACE' core values and underpin the Leadership and Management Development training that is provided.

9. Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others*);

9.1 The Council is committed to understanding and learning from the views of the public. Consultation processes enable views of stakeholders to inform policies and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Citizen Engagement Strategy will provide a framework for engagement activities, which are undertaken by the Council and will support work being done in this area by the Local Service Board.

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is undertaken by the Strategic Partnerships. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Community Strategy was drawn up in consultation with stakeholders across the area.

9.3 During 2010/11 the Council has consulted on a wide range of issues including the following (this list is not exhaustive):

- Regeneration plans;
- Health Social Care and Wellbeing Strategy;
- Children and Young People Plan;

- Community Safety issues;
- School modernisation/reorganisation
- Streetscene services;
- Recycling;
- Future provision of Library services;
- 'Scrutiny Committees' Research and Evaluation panels;

9.4   The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

10.   Review of Effectiveness

10.1 The Council has responsibility for reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

10.2 Key elements of the process are:

- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- A resourced Scrutiny function which holds the Cabinet to account. Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters.

- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

10.3   Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. In carrying out its duties, Internal Audit complies with the Chartered Institute of Public Finance and

Accountancy (CIPFA) 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom.

10.4 The unit also provides an independent and objective assurance service to management. It completes a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the unit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and the Cabinet as appropriate.

10.5 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the Assistant Chief Executive – Performance as S151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.

10.6 The Wales Audit Office's Annual Improvement Report is considered by the Corporate Management Team, Cabinet, Scrutiny and the Audit Committee. Audit Committee also receives the Appointed Auditor's ISA 260 report, which supports the external audit of the Council's Annual Statement of Accounts. Other external regulatory agencies such as CSSIW and Estyn also provide advice on specific service areas.

10.7 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (such as that set up to review budget options); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.

11. Significant Governance Issues

11.1 During 2010/11 Internal Audit undertook a review of corporate governance and this work involved a review of the arrangements in place during 2009/10. The audit findings were that the Council was in compliance with the requirements of the CIPFA/SOLACE framework.

11.2 The Annual Internal Audit Opinion as reported to the Audit Committee in May 2011 stated that based on the work undertaken "it can be concluded that the Council's key systems of internal control are operating satisfactorily and there have been no fundamental breakdowns of controls".

11.3 Looking to the future, the challenges involved in delivery of the £17m savings identified in the Medium Term Financial Plan cannot be overstated. To ensure these savings are delivered the Council is:

- Reviewing its Improvement Objectives in the light of the reduced level of resources available;
- Identifying more effective and innovative ways of working, including developing collaborations and partnerships with other organisations;
- Challenging existing working practices and methods of service delivery (e.g. via the Workwise initiative);
- Seeking the views of its stakeholders on proposals for remodelling or reconfiguring services;
- Identifying savings in management and administrative costs;
- Exploring further use of IT to deliver business efficiencies;
- Continuing to manage major changes via the corporate programmes;
- Developing a workforce plan that is cognisant of the implications for service delivery as a result of increased collaborative working;
- Developing a Strategic Equality Plan by March 2012;
- Reviewing its Business Continuity Plan.

11.4   Key to success will be a robust process of monitoring and scrutiny to ensure that the savings are achieved with minimal impact upon the end user.   Notwithstanding the overarching risk associated with Funding Levels, there are certain specific risks, the mitigation and progress of which will be of critical importance for the Council to manage in the ensuing financial year: The most significant financial risk being the impact of job evaluation and equal pay claims.

12.   Certification of Annual Governance Statement

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 need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Section 151 Officer…………………………………………….Date.................

Chief Executive Officer………………………..……………Date…………...…

Leader of the Council…………………………..……………Date…………...…