

**Annual Governance Statement 2014-15**

**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 make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has proper arrangements for the governance of its affairs and 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 The Council has approved and adopted a Code of Corporate Governance 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).

**2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, and values by which the Council 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 with managing 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 31 March 2015. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. This was updated during 2014-15 and approved by Audit Committee in June 2014.

### 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 Innovative 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 Council 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's published Corporate Plan 2013-2017 included Improvement Priorities which are aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensures that the Council is able to deliver on the commitments made with partner organisations. The Plan also takes into account a number of factors including service demands, legislative requirements, citizens' needs, resource availability, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies.

4.2 The Plan includes the following six improvement priorities:

- Working together to develop the local economy;
- Working together to raise ambitions and drive up educational achievement;
- Working with children and families to tackle problems early;
- Working together to help vulnerable people to stay independent;
- Working together to tackle health issues and encourage healthy lifestyles;
- Working together to make the best use of our resources.

- 4.3 These improvement priorities 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 priorities to be reviewed on a quarterly basis. The Corporate Plan has identified a number of outcome-focused 'success indicators', some of which are benchmarking measures. All of the indicators included in the Plan are aimed at measuring the success of our joined up working with citizens and partners.
- 4.4 The Council approved a Medium Term Financial Strategy (MTFS) for the period 2015-16 to 2018-19. This provides an integrated planning and financial framework for the next four years and includes the detailed budget strategy for the next financial year. The annual revenue budget and forward financial planning 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 the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.
- 4.5 There are a range of projects, linked to programmes, in progress to ensure that the improvement priorities are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Change Management Programme including:
- School modernisation programme;
  - Integrating Health and Social Care;
  - Town centre regeneration projects;
  - Accommodation Strategy;
  - Implementing the Inclusion Strategy;
  - Residential Care remodelling;
  - Domiciliary Care services remodelling;
  - Schools ICT strategy;
  - Strategic Collaboration projects;
  - Key budget reduction proposals linked to strategic change.
- 4.6 The Auditor General's Annual Improvement Report on the Council was received in May 2014. The Report recognised that the Council had made good progress in delivering improvement in most of its priority areas and recognised the need to accelerate improvements in education. Also, the Council had established a culture of self-evaluation which has resulted in a fair and balanced account of its performance although there were some areas for improvement. Finally, despite significant financial challenges, the Report recognised that the Council has sound plans for improvement. The Auditor General arrived at his views by:-
- reviewing the Council's own self assessment on what progress it considers it has made since the Auditor General published his last Annual Improvement Report on the Council early in 2013;

- assessing contributions from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW) and the Welsh Language Commissioner.

The Auditor General carried out an audit of the Council's Improvement Plan for 2014-15 and certified in June 2014 that the Council discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in the Measure and statutory guidance.

The Auditor General also audited the Council's assessment of its performance in 2013-14 in accordance with the Measure and his Code of Audit Practice and certified in November 2014 that the Council discharged its duties under pertinent sections of the Measure and acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

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, and linked with Local Service Board priorities;
- Delivery of the Local Service Board's Citizen Engagement Strategy;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement priorities, development of “Ask Bridgend”.

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 Members and the Leader allocates their 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 and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Council. 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 govern the overall framework within which the Council operates. 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. These are reviewed by the committee during the year and updated as required. 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 the Human Resources Department.
- 5.8 The Corporate Director - Resources is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.
- 5.9 The Corporate Director – Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the 6 core responsibilities across all the Social Services functions, including ensuring

that the Authority has proper safeguards to protect vulnerable children and adults.

- 5.10 Similarly, the Corporate Director – Education and Performance, has been identified as the Chief Education Officer, as prescribed by the Education Act 1996.
- 5.11 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.12 In December 2014, Council approved the realignment of responsibilities for the line management of the Safeguarding Children Teams under the Director of Wellbeing who therefore became the Director of Social Services and Wellbeing. This means that the social care functions for children and adults are now located within the same directorate of Bridgend County Borough Council. The increased responsibilities of the Social Care and Wellbeing Act places a greater emphasis on local authorities considering children and adults at risk more holistically and the new arrangement will support this and will be key to the successful delivery of a number of objectives including the sustained reduction in the number of looked after children.
- 5.13 The revised Performance Management Framework was launched in December 2013 and adopted by Cabinet in June 2014. This documents Council processes and procedures and the roles and responsibilities of managers within the process. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment. During 2014-15, the Council introduced CMB challenge on Performance Management, which complements the Corporate Performance Assessment (CPA). This structured challenge focuses on a wide range of issues as well as Performance Indicators. The introduction of a bespoke Performance Management system provides timely, consistent management information for managing service improvement and decision making.

**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. It stands for **F**air (taking into account everyone's needs and situation), **A**mbitious (always trying to improve what we do and aiming for excellence), **C**itizen focused (remembering that we are here to serve our local communities) and **E**fficient (delivering services that are value for money).
- 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. There is also a gifts and hospitality register.

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 Bribery Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

The first three policies above were reviewed, updated and approved by Cabinet during 2014-15.

6.4 Conduct of Members is monitored by the Public Services Ombudsman for Wales. The Council's Standards Committee also considers any reports submitted by the Ombudsman and the Monitoring Officer and any representations received relating to alleged breaches of the Code of Conduct.

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.

6.7 The Council has a 'Bridgend County Borough Council, social media and you' protocol which is available on the website. The aim of this is to be clear about how the Council will engage with users and manage expectations.

**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 legal, 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 appointed based on the political balance of the elected members that form the Council. 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 the governance of Council's operations include Financial Procedure Rules (FPRs); Contract Procedure Rules (CPRs) and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council's Performance Management Framework describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, Elected Members and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled 'Bridgend County Together'. The Council's Corporate Plan is aligned to the key outcomes of the SIPP. The vision and priorities that are set out in the Corporate Plan have a direct relationship with directorate business plans, service delivery plans, group delivery plans and the individuals' objectives within staff appraisals.
- 7.7 Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board, and Heads of Service and is supported by the Corporate Improvement and Finance teams. The purpose of the CPA is as follows:
- Obtain a holistic view of the Council's performance;
  - Identify and explore cross-cutting issues;
  - Critically challenge areas of poor performance; and
  - Identify service improvement opportunities, risks to delivery and resource implications.
- 7.8 Specifically, the CPA monitors:
- The overall financial position;
  - The Council's improvement priorities as defined by the Corporate Plan;
  - Agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan;
  - The budget allocated to delivering improvement priorities; and
  - Corporate risks.

When necessary, the CPA may also, by way of exception, monitor progress against relevant Outcome Agreements and other national and collaborative initiatives.

- 7.9 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.

- 7.10 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. CMB regularly reviews the risk register and actions being taken to mitigate the risks. The Corporate Risk Register is also presented to Audit Committee for review.

The main risks facing the Council that were identified during 2014-15 included:

<b>Risk Description</b>	<b>Potential Impact</b>
Welfare Reform Bill	Changes being made by the UK Government to benefit entitlements mean that demands on some services are likely to increase as the Council's resource base reduces.
Impact of the recession and using resources effectively	Pressure will be placed on council services which support local businesses and employment. Any shortfall in identified savings may result in the need to make unplanned cuts to services which puts vulnerable people at risk. Individuals, particularly young people, may be unable to secure employment because they lack the basic skills and confidence necessary.
Supporting vulnerable people, children and young people	Failure to remodel services to reflect demographic changes will restrict the council's ability to respond to assessed needs and may result in inefficient services. The wellbeing and safety of children might be compromised.
School Modernisation	Insufficient progress may have a negative impact on pupils' learning and wellbeing.
Improving educational attainment	Potentially fewer quality learning opportunities for students resulting in poorer educational attainment.
Disposing of Waste	Failure to achieve recycling/composting targets could result in inefficient use of resources with waste going to landfill sites and penalties against the Council.
Collaboration with Partners	If the council does not undertake collaboration projects where they

	offer enhanced service quality, increased resilience or significant cost savings, it will not maximise cost effective, tangible, improvements to services.
Maintaining the infrastructure	A poor highways network leads to increased third party liability claims, a loss of reputation, a possible adverse impact on the economy and reduced quality of life for citizens.

During the latter half of the financial year, the risk of Local Government Reorganisation was identified and this was incorporated into the Risk Register within the MTFS that Council received in February 2015. The costs of Local Government Reorganisation are unknown, but will be high. These costs have not been factored into the 2015-16 to 2018-19 MTFS. There is also a risk because greater demands will be placed on senior management as they plan for Local Government Reorganisation, whilst bringing about the transformative change required to deliver services within reduced budgets. In the longer term there are also other risks as three workforces and sets of financial arrangements are brought together necessitating harmonisation of pay and conditions and council tax.

- 7.11 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated in Directorates' Business Plans.
- 7.12 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules and Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Corporate Director - Resources 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 by CMB and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory annual Statement of Accounts.
- 7.13 The Council is committed to demonstrating due regard to the Equality Act 2010. It published its Strategic Equality Plan 2012-16 in April 2012. This is not just a council plan and has been developed with partners. It seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what is known about our services and on the views and needs of Bridgend citizens and the people who use services. There was an Annual Report 2013-14 on the Strategic Equality Plan which went to

Cabinet in March 2015. The report reviewed and reflected on previous work and outlines progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Quarterly updates are provided to the Bridgend Equality Forum, membership of which includes a number of third sector groups and organisations as well as a number of key local service providers. All committee reports include an equality impact assessment.

**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 an Elected Member Learning & Development Strategy 2012-17, 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. All staff appraisals are completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. There is also a Six Month Review form which identifies progress on targets or any additional targets that need to be included. The Appraisal system is an important part of the Council's Performance Management Framework. The percentages of completed appraisals are reported to the Corporate Performance Assessment (CPA) forum.
- 8.4 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.5 In 2014-15 a cross party group of 13 Elected Members participated in an in-house Leadership academy co-ordinated by the Welsh Local Government Agency (WLGA) consisting of 3 modules including Leading through relationships, Leading Innovation and Change and Community Leadership. There were also 5 other senior Elected Members who attended the All Wales Leadership Academy which supported the personal development of these Members and promoted collaborative working across Wales.
- 8.6 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, such as strategic needs assessment, is undertaken by the Local Services Board. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents.

9.3 The Council has a Citizens' Panel made up of people aged 16 and upwards from across the county borough. Its panel members agree to take part in three or four surveys a year about a range of issues relating to council services and policies. Previously, members of the Citizens' Panel have given their views on a range of topics including street cleanliness, customer service and the local housing strategy. This has helped the Council to understand residents' opinions about the services the Council provides and to help improve things in the future.

9.4 During 2014-15, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- Budget Review 2015;
- Learner Travel Review;
- Nursery Education Policy;
- Local Transport Plan;
- Various schools proposals.

The Budget Review 2015 included six community engagement workshops throughout the county borough, an on-line survey and access to a budget simulator which captured the views of the public on how to achieve the budget savings necessary for the financial year 2015-16

The Council is also using social media to promote various aspects of the Council and its services and enables feedback from the public.

9.5 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. Complaints can be made electronically or in writing and the Council has set target times for responding to all complaints received to ensure accountability.

9.6 All Council meetings are open to the public except where personal or confidential matters are discussed. All public agendas, reports and minutes are available on the Council's website.

9.7 The Local Service Board (LSB) brings together representatives from organisations across a range of service areas in Bridgend to work together to improve the quality of life for people living and working in Bridgend. Current members of the LSB are:

- Abertawe Bro Morgannwg University Health Board
- Bridgend Association of Voluntary Organisations
- Bridgend Business Forum
- Bridgend College
- Bridgend County Borough Council
- Natural Resources Wales
- South Wales Fire and Rescue Service
- South Wales Police
- Valleys to Coast Housing Association
- Wales Probation
- Welsh Government

9.8 In 2014, the LSB undertook a comprehensive review of its priorities and its approach to delivering those priorities, taking into consideration a series of factors, including diminishing resources faced by partner organisations. As a result, the LSB now focuses on a smaller number of priorities that require really partnership working, with those priorities being delivered through flagship projects. As part of the review, the LSB also restructured its constituent boards by abolishing both the People's Board and Communities' Board and reducing the Programme Boards to five:

- Wealthy Programme Board
- Healthy Programme Board
- Wise Programme Board
- Place Programme Board
- Community Safety Partnership

The new structure is aligned with the population outcomes of the Single Integrated partnership Plan and supported by a reformed Neighbourhood Network (NHN), which focuses on local priorities and takes forward local projects underpinned by local information, citizen engagement, co-production, and investment in local infrastructure.

9.9 In the development of the Medium Term Financial Strategy 2015-16 to 2018-19, Council agreed that future collaborative efforts should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit.

## **10. Review of Effectiveness**

10.1 The Council has responsibility for annually reviewing the effectiveness of its governance framework, including the system of internal control and the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

10.2 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees.
- 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.
- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Partnerships and Governance Overview and Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it has a responsibility "to consider the Council's policies and strategies in relation to collaborative and partnership working arrangements". The Committee will liaise with other Scrutiny Committees who will be responsible for scrutinising collaboration projects within their remit to ensure work programmes are co-ordinated.
- 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 provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

10.3 Additional requirements of the Local Government (Wales) Measure 2011 have included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
- the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Authority that is able to assist in the role of the Audit Committee. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services.

10.4 Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role. In March 2015, the Audit Committee received training on the Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. Also, it was noted by the Estyn Inspection that training provided to elected members to increase their understanding and ability to interrogate data to enable them to challenge the performance of the Children's Directorate and schools was well received.

10.5 This is being further enhanced with the use of role descriptions for all committee Member and Chairpersons including the Audit Committee. These are based on the WLGA model role descriptions and have been adapted to reflect the specific roles undertaken in the Council. The role descriptions also form part of Personal Development Review Process which enable members to better understand their role, reflect on how they have undertaken their duties in the previous year and identify any further support or training that they require to effectively carry out their duties. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.

10.6 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. The Budget Research & Evaluation Panel was commended in June 2014 by the Wales Audit Office and the Centre for Public Scrutiny as an example of best practice at the Scrutiny in the Spotlight Event

10.7 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. During 2014-15, in carrying out its duties, Internal Audit has been working to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. The Head of Audit undertook a self-assessment to demonstrate the extent to which the Internal Audit Shared

Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. This was reported to Audit Committee in April 2015. The review showed that the Internal Audit Shared Service is fully compliant with all relevant parts of the Standards. However, in relation to Standard 1312 'External Assessment' the two negative answers can only be addressed once the Internal Audit Shared Service has agreed a timetable for being assessed externally. An external assessment needs to be carried out before the end of March 2018.

- 10.8 Internal Audit also provides independent and objective assurance. A programme of reviews is completed in accordance with the Annual Audit Plan which enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit 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 Cabinet as appropriate.
- 10.9 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 S151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.
- 10.10 In 2014-15, the Council's financial management arrangements were found to be conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The Wales Audit Office's Annual Audit Letter summarises the key issues arising from the work that the Council's external auditors, KPMG, carried out. The Annual Audit Letter for 2013-14 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2013-14 and was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Letter confirmed that there were not any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 10.12 The Wales Audit Office issued two reports to Audit Committee, one on the Audit of the Financial Statements Report 2013-14 in September 2014 and one on the Certification of Grants and Returns 2013-14 in March 2015. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had generally good arrangements in place for the production and submission of its 2013-14 grant claims. Improvements were noted from 2012-13 but it did highlight some scope for further improvement which are being followed up by management. One recommendation related to discretionary relief awards, management

have now undertaken a full review of all discretionary rate reliefs during 2014-15 and a number have been cancelled as a result.

- 10.13 During the period March to May 2014, the Wales Audit Office completed a review of the assurance and accountability arrangements of the Council for ensuring that safeguarding of Children policies and procedures are in place and are being adhered to. This reviewed examined how the Council discharged its safeguarding responsibilities at all levels including Cabinet, Senior Management Team, Scrutiny and individual officers. The review found that the governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children are adequate but some improvements could be made. It recommended that a Corporate Safeguarding Policy be developed. This was taken onboard and Cabinet approved the Policy in February 2015. One other proposal for improvement was to identify and agree an appropriate internal audit programme of work for safeguarding. The Internal Audit Plan 2015-16 allocated 20 days for Safeguarding which will also incorporate an assessment of the Council's overall operating model for safeguarding.
- 10.14 The Auditor General's letters on the Improvement Assessment of the Council have stated that the Council has discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 and has acted in accordance with Welsh Government guidance and "the Council has discharged its duties to prepare and publish an improvement Plan in accordance with statutory requirements".
- 10.15 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2014, the Council received its Annual Letter for 2013-14. The letter noted an increase in the number of complaints received, 39 in 2013-14 compared to 24 in 2012-13. The comparative figure for the local authority average was 40 for 2013-14 (36 for 2012-13). Only 1 complaint was investigated by the Ombudsman which was the same as 2013-14. The increases in the number of complaints received relate to 'Children Social Services' and 'Planning and Building Control'. The Ombudsman did not find it necessary to issue any 'upheld' reports against the Council during 2013-14.
- 10.16 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2013-14 concluded that the Council has continued to work towards its change agenda and the development of new models of service delivery, in line with the expectations of the Social Services and Wellbeing (Wales) Act 2014. The review identified the appointment of two new Corporate Directors for Wellbeing and Children and how they take a strong lead in supporting the service by providing oversight of strategic delivery and operational components of the service. It recognised that the Wellbeing Business Plan covers the new way of working with greater integrated working with health and the third sector. It also recognised that the Council has mechanisms in place for identifying and addressing gaps in performance. A number of specific areas for improvement have been identified within the

report and the Council's progress towards these will be discussed during regular engagement meetings and site visits during 2015-16.

- 10.17 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report was published in February 2013 and even though it identified that the Council had more strengths than areas for improvement, it still concluded that the Council fell into the category of follow-up activity and will require an Estyn monitoring visit. A Post Inspection Action Plan (PIAP) was developed following discussions with officers, elected members and the Central South Consortium and this was signed off by Estyn in July 2013. Progress against the PIAP was monitored closely by Estyn and there were follow up visits in March and December 2014. In December, Estyn Inspectors revisited to undertake a full re-inspection which consisted of discussions with elected members, head teachers and governors, senior officers and a range of other staff. The team scrutinised documentation including evidence on the progress made against each of the recommendations since the 2012 inspection. Estyn concluded that the Council "is judged to have made sufficient progress in relation to the recommendations following the inspection of October 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority is no longer in need of Estyn monitoring and is removing it from further follow-up activity".
- 10.18 The previous Annual Governance Statement 2013-14 that was presented to Audit Committee in June 2014 identified the governance risk of the retirement of the deputy Section 151 officer in July 2014 at the same time that the Section 151 Officer was unable to perform her duties. The Chief Executive addressed this with interim arrangements being put in place to cover the statutory role in the short term and the Council was able to appoint a new Head of Finance and ICT who took up his post in September 2014. The Corporate Director Resources also returned to perform her duties in September 2014.

## **11. Significant Governance Issues**

- 11.1 The Annual Governance Statement 2013-14 was reviewed and an update was provided to Audit Committee in November 2014. This reported that the governance issue surrounding the requirement to review and update the Code of Corporate Governance had been addressed with Audit Committee approving the revised Code of Governance in July 2014.
- 11.2 As mentioned above, one of the significant governance issues in 2013-14 related to the Estyn Report on the quality of local authority education services for children and young people. However, the confirmation in January 2015 that the Council is no longer in need of Estyn monitoring means that this governance issue can be removed from the updated Action Plan.
- 11.3 As reported to Audit Committee in November 2014, Directorates undertook a series of reviews of third sector organisations over the summer, to determine

the extent to which the services they provide meet corporate priorities and are providing value for money. This was as a result of a WAO review of Council's arrangements for ensuring value for money from its working with the Third Sector identified a specific governance issue. A Report was taken to the Community Safety and Governance Overview and Scrutiny Committee in March 2015. The budget reductions currently identified fall short of the budget savings of £150,000 for 2015-16 and 2016-17 built into the MTFs. The Council is working with those organisations to identify ways of managing the reductions to minimize impact on front line services. A number of payments to the Third Sector are for services provided on behalf of the Council, rather than general grant funding. If the Council were to cease this payment, depending on the statutory nature of the provision, the Council may have to provide this service itself, and this could be at a higher cost. The project has now been brought under the Director of Education and Transformation as part of the overall Transformation Programme. It is the intention for the project to be reviewed and a revised business plan presented to PMB in the first instance.

- 11.4 The Annual Governance Statement 2013-14 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £36m savings identified in the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18. In July 2014, the MTFs was updated following further analysis of assumptions to increase the estimated budget reductions to £50m over the period to 2018-19.
- 11.5 The implementation of the MTFs 2014-15 to 2017-18 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2016-17 to 2019-20 taking account of auditors' views and any issues which need to be addressed from 2014-15, together with a continued desire to embed a culture of medium term financial planning closely aligned with corporate planning. Implementation of the strategy will be led by Cabinet and Corporate Management Board underpinned by financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). There will also be a role for the Budget Research and Evaluation Panel (BREP) which will work on an on-going basis, in an advisory capacity, with Cabinet and officers.
- 11.6 The Annual Internal Audit Opinion is due to be reported to the Audit Committee in July 2015, for the period April 2014 to March 2015. It stated that based on the work undertaken and taking into account all available evidence "the adequacy and effectiveness of internal control at Bridgend CBC is reasonable". Although reasonable assurance demonstrates good control across the board, the Opinion states that "it is important that control weaknesses in systems where the assurance level has been rated as Limited or No Assurance are dealt with and given priority by management". During 2014-15, there were 9 reviews which limited assurance was given and 1 where no assurance could be given. This related to the Section 117 Process within the Wellbeing Directorate. The significant control issues identified have

tended to relate to specific service areas rather than a general breakdown in controls. The relevant managers have agreed to implement the recommendations made within the reports. Internal Audit has already revisited the area with no assurance and 4 with limited assurance with a plan to revisit the remaining areas shortly.

**12. Certification of Annual Governance Statement**

Steps to address and mitigate the matters referred to in section 11 above will be taken to further enhance our governance arrangements.

**Signed:**

**Section 151 Officer.....Date.....**

**Chief Executive Officer.....Date.....**

**Leader of the Council.....Date.....**