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**ANNUAL GOVERNANCE STATEMENT INFORMATION REPORT**

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**Reason for the Report**

1. To present Members with the Council's Annual Governance Statement ('the Statement'). The Statement was presented to and agreed by the Audit Committee meeting held in May 2013 and will be presented to Cabinet and Full Council in the near future. The Committee may wish to comment on the Statement prior to this or to use it to inform its work programming for 2013/14.

**Background**

2. The Council is required to produce an Annual Governance Statement to accompany its Statement of Accounts, having a responsibility to conduct an annual review of the effectiveness of its governance arrangements. The review is based on the work of senior managers, who are responsible for producing Senior Management Assurance Statements; the opinion of the Audit and Risk Manager; and comments from external audit and other inspectorate agencies. Discussions have also taken place with the Operational Manager, Scrutiny Services, in order to identify any matters that have arisen from Scrutiny meetings.
3. The Statement is underpinned by a Governance Framework derived from the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives 'Delivering Good Governance in Local Government' Framework. This Framework sets out a number of principles which are aimed at assisting local authorities in developing and maintaining sound governance arrangements. The six core principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed, transparent decisions with effective scrutiny, and managing risk;
- Developing the capacity and capability of Members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

4. Members will note that the contents of the Statement are structured around these core principles.

### **Issues**

5. Although this report is for information only, the Committee may like to consider this information as part of its work programming arrangements for 2013/14.

Among many options, some issues covered by the Statement which could be added to the Committee's work programme include:

- the 'What Matters' strategy (briefly mentioned at paragraph 7 of the report);
- the implementation of the Council's staff Personal Performance and Development Scheme (paras 12 and 31);
- the implementation of Equalities Impact Assessments and how they are used to screen the Council's policies, projects and procedures (para 30);
- the Council's Project Quality Assurance ('PQA') methodology which is intended to provide a structured framework for the way in which projects councilwide are carried out (para 48);
- the operation of the Council's training facility, Cardiff Council Academy or of the Sustainable Leadership programme (paras 54 and 53 respectively);
- the Capital Times (para 64);
- the Council's internal communications methods (para 67).

6. The Statement also refers to a number of significant governance issues which have been raised in the course of 2012/13 or which were raised in previous years (at paragraph 90 of the attached report). These largely fall outside the remit of this Committee, but are:
- License fees
  - Junction 30 of the M4
  - Income shortfall
  - Significant Deficit Budgets
  - Legal Action – Drainage Board
  - Llanishen Reservoir.
7. The Committee may also like to consider the relationship between this Committee and the Audit Committee as part of its 2013/14 work programming discussions.

### **Way forward**

8. This report is for information only.

### **Legal Implications**

9. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

10. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATIONS**

This report is for information, but Members may like to:

- i. consider whether they would like to relay any comments to the Cabinet prior to its consideration of the Annual Governance Statement; and
- ii. discuss whether any of the issues covered in the Statement should be considered for inclusion in the Committee's 2013/14 work programme.

## **MIKE DAVIES**

Head of Service

Scrutiny, Performance & Improvement

30 May 2013

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### Scope of Responsibility

1. Cardiff Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cardiff County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Cardiff Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk. The activities to which the Annual Governance Statement refers, relate to the core activities of the Council and not the Group Accounts.
3. Cardiff Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit and Risk Manager. This statement explains how Cardiff Council complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2005.

### The Purpose of the Governance Framework

4. The Governance Framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cardiff 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.
6. The following paragraphs summarise the core principles of Cardiff Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:
  - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - Members and Officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - Developing the capacity and capability of Members and Officers to be effective
  - Engaging with local people and other stakeholders to ensure robust public accountability

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### Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

7. Cardiff Council sets out its key priorities and performance measures in its Corporate Plan, linked to 'What Matters' – the 10 Year Strategy for Cardiff which has brought together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering seven shared outcomes. The Corporate Plan provides direction for the linked Delivery Plan and more detailed service plans which set out the key objectives associated with service delivery.
8. There is alignment between these documents, risk assessments and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements.
9. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. A Cardiff Partnership Board (CPB) comprising the Chief Executive Officers of key public service and third sector providers in the city meet monthly to co-ordinate actions to address specific challenges, service gaps or performance challenges
10. The CPB for the city draws together a range of collaborative activity into one place which is chaired by the Council's Chief Executive. The CPB facilitates a 'seamless public service' approach which encourages greater joint working and integration of service delivery to release efficiencies and improve the effectiveness of services provided. Alignment of commissioning processes to meet identified needs and deliver shared outcomes has been progressed through the new £29 million Families First programme which has used outcome based service specifications. These services are also being joined-up with other programmes such as Flying Start, Communities First, Integrated Family Support and Neighbourhood Management.
11. Due to the growing agenda for partnership working and in order to implement the requirements of the Local Government (Wales) Measure 2009, the Council has adopted a more outcome based approach in conjunction with its partners. The Council has, therefore, participated in the development of seven Citizen Outcomes with the CPB partners.
12. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order. The annual outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality Plan, Service Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.
13. The Corporate Plan and Service Plans include key performance targets and these are monitored on a regular basis. Every quarter, each service area provides monitoring reports to the Senior Leadership Team (SLT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.
14. An annual Improvement Plan reports the progress over the previous financial year in terms of;
  - a review against the key objectives

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- progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan,
  - an assessment of the key risks,
  - sets out the challenges for the future which in future will be part of the requirements of the Corporate Planning regime.
15. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. Both Plans assist the Council in meeting the statutory obligations under the Local Government (Wales) Measure 2009 and form part of the Regulation and Inspection Regime undertaken by the Wales Audit Office (WAO) on behalf of the Welsh Government. This regime was amended under the Measure and the Council will receive two Letters each year which will culminate in an overall picture of the 'ability to improve' in the Auditor General for Wales Annual Improvement Report. The assessment has been reported to the Audit Committee, Policy Review and Performance Scrutiny Committee and to Cabinet.

### **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

16. 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 has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Additionally, the Council has appointed a number of Committees to discharge regulatory and scrutiny functions. These leadership roles, and the delegation of responsibilities to officers, are set out in the Council's Constitution which is reviewed regularly by the Constitution Committee and recommendations made to Council.
17. Following the outcome of the local election on 3 May 2012 the Cabinet introduced their vision and priorities for the remainder of the municipal year 2012/13 by way of the political document 'Leading Cardiff – Building Communities' – which sets out a number of key priorities.
18. During the Autumn of 2012, the Cabinet and senior officers began the process of developing a new Corporate Plan for the period of the Administration which set out the Council's contribution to the wider vision for the City through a clear set of medium term priorities and activities.
19. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. Another important development is that the Corporate Plan is underpinned by an associated Delivery Plan. Whilst the first section of the Corporate Plan outlines the priorities for Cardiff Council over the next four years the Delivery Plan element provides further technical detail as needed to meet other corporate and statutory reporting requirements under the Local Government (Wales) Measure 2009.
20. The Council's Constitution includes key sections which set out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
- Scheme of Delegations
  - Members' Code of Conduct
  - Employees' Code of Conduct
  - Protocol on Member / Officer Relations
  - Cardiff Undertaking - upon election all Members sign "The Cardiff Undertaking" which underlines their duties to the City and its citizens.

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21. The Council's Constitution sets out the Terms of Reference for each of its Committees. The Constitution determines the types of decisions that are delegated to Council, Cabinet and Committees of the Council.
22. As a result of the Local Government Measure (Wales) 2011 the Audit Panel was re-established in 2012/13 as an Audit Committee. The first meeting of this new Committee was held in September 2012. Membership of the committee was determined at the June 2012 Council meeting in accordance with the Measure. Council in September 2012 approved a revised Terms of Reference for the Audit Committee. The four independent lay Members of the Audit Panel have remained on the Audit Committee, Sir Jon Shortridge was re-elected as Chair to the Committee. The current ratio of lay members to elected members is 4 / 8.
23. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging work programme focusing on strategic risks and fundamental financial processes. The Audit Committee assumed the previous panel's role in overseeing financial control and governance within the Council, including responsibility for assurance relating to Treasury Management, and sought to do so through the committee's work programme. The Committee is supported by the Council's Section 151 Officer as the principal advisor and by Democratic Services as the clerk for the meetings. Agendas, minutes and meeting papers are captured on the Council's Website.
24. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the IRP in any annual or supplementary reports. Information relating to officers' pay levels is included in the Council's Annual Pay Policy Statement as required by the Localism Act 2011 and published as part of the Budget Report and also in the Annual Statement of Accounts.
25. The Chief Executive leads the Council's officers and chairs Senior Leadership Team meetings, which are held fortnightly. A Chief Operating Officer joined Cardiff Council in April 2012. A revised senior management structure designed to ensure that the Council has the capacity necessary to address the combined challenges of delivering the new administration's agenda for Cardiff whilst dealing with the consequences of the severe financial settlements facing Local Government was approved in the Autumn of 2012 and will begin to take effect in the first quarter of 2013/14. All posts within the structure other than that of the Chief Executive and Chief Operating Officer have been subject to a national recruitment process.
26. All employees, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.
27. The Chief Corporate Services & Section 151 Officer has overall responsibility for the financial administration of the Council. The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
28. Central finance employees provide advice and guidance to all services areas, where appropriate. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the authority's Financial Procedure Rules and the Contract Standing Order and Procurement Rules.
29. The Chief Officer Legal and Democratic Services is the Authority's Monitoring Officer who has overall responsibility for legal issues. Legal staff work closely with service areas to



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provide advice where appropriate. All reports to the Council, the Cabinet, and Committees are considered from a legal perspective.

30. An Impact Screening tool has been developed by the Council to assess strategic policies and ensure that they take into account the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. This tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessment in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also being included within the Cabinet Report template to ensure the Council meets its statutory duties.

### **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

31. The Council has defined its values – Accountability, Flexibility, Openness, Professional Integrity, Diversity, Working with Others and Respect. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council and the organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.
32. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be done in a group environment or one to one with officers. Specific training events were instigated following the elections where Members met with Chief Officers and Heads of Service to gain an understanding of the wide variety of functions across the Council.
33. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place for working relationships between Members and Officers e.g. Officer-Member Protocol. Since the local elections in May 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from officers.
34. All staff undertake induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Health & Safety, Equalities and IT Security.
35. The Council takes fraud, corruption and maladministration very seriously and has the following policies to prevent, and deal with, such occurrences:
  - Whistleblowing Policy
  - Anti-Fraud, Anti-Corruption and Bribery Policy
  - Anti-Money Laundering Policy
  - HR policies regarding discipline of staff involved in such incidents;
36. Under the Anti-Fraud, Anti-Corruption and Bribery Policy all service area managers are required to notify the Audit and Risk Manager where there is any suspicion of fraud or impropriety, which helps to ensure a consistent and high standard of investigation is undertaken. The policy was updated and approved by Constitution Committee in January 2012. At the same Constitution Committee the Anti-Money Laundering Policy was formally adopted and has since been made available to officers via the CIS site.
37. The Council has a Complaints Policy which encourages the public and other stakeholders to complain, where deemed necessary, so that the Council can take remedial action and learn from past mistakes where those complaints are upheld.

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

38. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to Senior Officers through the different management tiers.
39. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal and financial implications arising from the decision. Such reports also address the key risks involved in particular decisions and alternative courses of action which are available. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.
40. A Scrutiny function is in place with opportunities to challenge decision making. The Council has appointed five standing Scrutiny Committees, each of which meets on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Scrutiny Committee Members received induction and training on a number of scrutiny techniques in June and July 2012, with refresher training provided during the year.
41. Each Committee launches a number of in-depth inquiries each year to help the Cabinet develop and review robust, evidence-driven policies and services. The Committees provide recommendations to the Cabinet following Scrutiny Inquiries, the majority of which are fully accepted. Recommendations are monitored to ensure these are accepted. Each Inquiry is formally presented to Cabinet and a formal response given, detailing exactly how many recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward (often annually).
42. In total approximately 100 letters are written by the Council's five Scrutiny Chairs to Cabinet Members each year following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations
43. The Council is entering into an increasing number of collaborative scrutiny arrangements with its partners. Notable examples currently underway are the Prosiect Gwyrdd five Council Joint Scrutiny Panel and the Cardiff Partnership Joint Scrutiny Panel. Plans to develop joint scrutiny committees to ensure democratic accountability of regional social care and schools improvement consortia are underway.
44. The Council has a Risk Management Policy, Strategy and Methodology, a review of which commenced in quarter 4 of the financial year and is scheduled to be concluded in quarter 1 of 2013/14. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Chief Officers, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. The group oversees the development of risk management throughout the Council and a network of service area risk champions assist with identifying, assessing and managing risks.
45. Following local elections a new Member Risk Champion was appointed by Cabinet, Cllr Huw Thomas, Cabinet Member for Sport, Leisure & Culture. The Chief Corporate Services and Section 151 Officers continued as Senior Officer Risk Champion.

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46. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SLT quarterly and by Policy Review and Performance Scrutiny, the Cabinet and Audit Committee on a six monthly basis. At year end 2012/13 there were 23 corporate risks on the register. Each year an assessment is undertaken to cross reference the CRR to the Corporate Plan which incorporates the strategic objectives. This forms the focus for Senior Managers in identifying their business risks, as detailed in their Service Plans.
47. On 31 December 2009 the Authority appointed Marsh Ltd as the Authority's Strategic Risk Management Partner on a three year contract. The partner should provide both independent challenge to the risk management process and share with Cardiff their experience on the risks relating to both private and public sector. The partnership arrangement formally concluded in December 2012, the final piece of work produced by Marsh related to Welfare Reform which was finalised in April 2013 utilising the contract days for 2012.
48. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.
49. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

### **Developing the capacity and capability of Members and Officers to be effective**

50. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
51. Under the principle 'Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour' details of Member Training is noted which is co-ordinated by the Democratic Services Team. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements. During the financial year a mentoring programme was put in place for Members to support each other.
52. The Council operates a Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.
53. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.
54. The Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.
55. The system of financial management is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules which have to be complied with in relation to all procurement and contracting matters. The rules underpin the Council's Constitution and a system of delegation and accountability.
56. In some areas compliance with Council rules was identified as an issue and training was arranged and offered to Managers in those areas. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme was

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also delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

57. Development and maintenance of systems is undertaken by managers within the Council. In particular, the system of financial management includes:
- Forecasting and monitoring budgets on a periodic basis with regular financial reports which indicate actual and projected expenditure against the budget,
  - Setting targets to measure financial and other performance,
  - Clearly defined capital expenditure guidelines,
  - Formal project and programme management disciplines,
  - Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

58. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.
59. The Council provides a webcasting service to watch live meetings, download relevant documents or presentations discussed. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions made, whilst also giving the public the chance to feedback on items being discussed.
60. Scrutiny meetings are held in Public, annual reports published by each of the Council's five Scrutiny Committees are presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts and public and third sector leaders on topic of their expertise.
61. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by service areas are in accordance with the Council's Corporate Consultation Strategy.
62. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.
63. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate the engagement of local people and other stakeholders in the identification of local priorities and solutions.
64. The Council publishes a newsletter Capital Times which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.
65. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.

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66. Institutional stakeholders, to whom the authority is accountable to include the Welsh Government and External Auditors (WAO). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.
67. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Weekly Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.
68. The Authority regularly engages in consultation with the Trade Unions.

### **Review of Effectiveness**

69. Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 requires authorities to carry out an annual review of the effectiveness of the system of internal control.
70. The review of the effectiveness of the system of internal control is informed by:-
  - The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
  - The work of Internal Audit;
  - Comment by the Council's Audit Committee;
  - The outcome of any Scrutiny reviews;
  - Views or comments from the Standards & Ethics Committee;
  - Views or comments from any Committee, Cabinet or Council;
  - Comments made by the public in the form of complaints or ombudsman matters;
  - The external auditors and other review agencies and inspectorates.

### **An Internal Control Self Assessment**

71. Annually, senior management complete an Assurance Statement on internal control arrangements within their Service Area. They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. All Chief Officers were asked to complete a Senior Management Assurance Statement at the mid point of the year, any issues identified are reviewed at the year end position.
72. Building on the previous work of last year's Annual Governance Statement, Internal Audit facilitated an update of the 'Significant Governance Issues'. Chief Officers were asked to consider any outstanding significant issues in the 2011/12 statement and either close these, where action had been taken, or update them where the issues are ongoing. Any new issues were captured on their Senior Management Assurance Statement. Issues identified for 2012/13, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

### **External Audit and Inspection**

73. The Annual Audit Letter reports on audit and inspection work, including the arrangements for corporate management, performance management, financial management, financial standing, financial statements and legal matters. This was reviewed by the Audit Committee and presented to Scrutiny Committee and the Cabinet.
74. It is considered there are no matters of significance arising from the Annual Audit Letter issued in respect of the Statement of Accounts for 2012/13 to merit inclusion in the Statement.

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### Internal Audit

75. The Council operates an independent internal audit function whose role is to review internal control arrangements. This function has operated under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK. From April 2013 the CIPFA code has been superseded by the Public Sector Internal Audit Standards.
76. The Audit & Risk Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control, based on the work undertaken by the section. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
77. The Audit & Risk Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Chief Corporate Services and Section 151 Officer, but also has the authority, as appropriate, to report in his own name and have direct access to all Council Officers and Members. The Audit and Risk Manager post has been undertaken on a job share basis since April 2011.
78. Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents i.e. Corporate Risk Register and the Annual Governance Statement, it is considered that, overall, the financial control within the Council, for the financial year 2012-13, remains satisfactory.
79. The Council's governance arrangements are based on a firm footing i.e. the CIPFA/SOLACE Delivering Good Governance in Local Government Framework, which is instrumental in preparing the Annual Governance Statement. The Council has a comprehensive Constitution which includes a Scheme of Delegation and a sound set of Rules, Codes of Practice and best practice guides for managers to follow. Some of the Rules and guidance requires updating and much of this is ongoing at the year end.
80. There again appears to be a greater awareness and understanding around governance matters and managing risks both at a strategic and service area level, demonstrated through increasing engagement with the Corporate Risk Register and Senior Manager Assurance Statements. This year has seen an increase in engagement between officers and with Members through Cabinet, Scrutiny and Audit Committee.
81. The majority of audits have provided assurance in terms of managing risks and reported satisfactory internal controls in place. Figures show an improved position on last year, with fewer reports with an "unsatisfactory" audit opinion. No audit resulted in an "unsound" audit opinion during 2012/13.
82. Audit reports have, however, continued to highlight that there is scope to further improve the internal control environment and this year, in fact, has seen an increase in the number of audit recommendations proposed and agreed. Some system weaknesses have been highlighted, but by far the majority of audit recommendations relate to compliance issues and there has been an increase in training events in recent months to look to address this. Statistics confirm that Managers understand and support the majority of audit recommendations, and they do seem keen to tackle control weaknesses and incidents of non compliance, but it is becoming increasingly more challenging for them to do so and bring about change to their control environments, where they have, and continue to be, experiencing a significant reduction in resources. It is thought, partly as a consequence, that more follow up audits have been required, due to slow progress in actioning audit recommendations in some areas; an issue highlighted during the year, which prompted action at Senior Leadership Team. This will require constant monitoring and attention throughout next year.

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83. In addition to audits undertaken, Audit has proactively engaged with new developments and system redesigns that are happening across the Council which has also provided assurance around sound governance, managing risks and internal controls. It has been encouraging to note that managers have always been receptive to audit views when looking to introduce new processes and procedures, sometimes having a significant effect on Council business.
84. The Annual Internal Audit report for 2012/13 was presented to Audit Committee in May, when the final draft Annual Governance Statement was also considered. The Annual Internal Audit report provides detailed findings of the work of Internal Audit over the past twelve months and further information around audit performance.

### Audit Committee

85. The Audit Committee have formed a view on the Council's risk management, internal control and governance arrangements taking into account the information presented to them by the Section 151 Officer, the External Auditor (WAO), the Audit & Risk Manager and other officers who have attended their meetings.
86. At the strategic level, based on the evidence presented to the Audit Committee during 2012/13 it is the considered view of the Committee that the Council does for the most part have sound financial controls and governance arrangements in place. Examples of where the Committee has continuing concerns are listed below. The Committee see the Corporate Risk Register on a regular basis and are aware of the robust review process in place to keep this updated. The Committee have also taken an interest in a number of governance matters including information gathered for the Annual Governance Statement. Matters which remain of concern to the Committee include:
- Examples of poor governance arrangements in some schools reported as unsatisfactory reports by Internal Audit
  - Examples of non compliance, especially relating to contract matters as evidenced in some Internal Audit reports.
  - High incidence of sickness absence.
  - Recognising the importance of Personal Performance and Development Reviews; concern not all staff were given the opportunity for such a review.
  - Questions over the governance arrangements for Regulatory Committees and associated protocols.
  - Potential impact of the Senior Management Restructure and influence on 2013/14.
  - The role of the Central South Consortium Joint Education Service.
87. It is considered these areas will need to be closely monitored and may be subject to further review by the Committee during 2013/14.
88. The Audit Committee is also keen to support the views expressed by the External and Internal Audit Managers, who it has relied heavily upon for assurances, and agree any areas they consider merit highlighting in this statement.

### Other Sources of Assurance

89. Discussions with the Operational Manager, Scrutiny, were undertaken to identify if any matters had arisen from Scrutiny meetings which would be considered as significant governance issues. Any issues raised would be incorporated into the Significant Governance Issues Log; for 2012/13 there were no issues raised.

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### Significant Governance Issues

90. The following table highlights the significant issues arising from the review of internal control and details the action being taken to deal with them. As previously mentioned issues identified which also feature on the CRR are not listed below as they are managed through the CRR review process.

<b>Issues raised at Year End 2012/13</b>		
<b>Issue</b>	<b>Action</b>	<b>Responsible Officer</b>
<p><b><u>Licence Fees</u></b> The Council is facing a judicial review concerning the licence fees charged for hackney carriages/private hire vehicles. The Judicial review challenges the lawfulness of the fees charged by the Council since the beginning of the licensing regime in 1976.</p> <p>If the claimants are successful it will be necessary to calculate what the fees should have been from 2006 onwards and refund the difference. Reimbursement would have to be made to all private hire vehicle and operator licence holders who may come forward.</p>	<p>An internal review of fees has been completed and new fees were recommended to the Public Protection Committee on 9<sup>th</sup> April 2013; these are now the subject of public consultation. The calculations on which the proposed fees are based have been discussed in conference with Counsel.</p> <p>Financial Services are considering referring this matter to the Council's insurers.</p>	<p>Head of Service Regulatory &amp; Supporting Services</p>
<p><b><u>Junction 30 on the M4</u></b> The Welsh Government have made a request to the Authority to call in funding of circa £4 million as a result of M4 widening works.</p> <p>(Issue raised at the Mid Point 2012/13)</p>	<p>The Service is engaged in meetings with the Welsh Government, the Chief Executive and Cabinet Members have been informed. Briefings are being held with the Member for Finance, Business and Local Economy.</p> <p>The Service and Cabinet Members will continue discussions with the Welsh Government to agree a position on this matter.</p>	<p>Chief Officer City Development</p>
<p><b><u>Income Shortfall</u></b> A projected significant income shortfall has been identified in Bus Station Departure Charges.</p> <p>(Issue raised at the Mid Point 2012/13)</p>	<p>The shortfall is partly caused by the on-going and planned redevelopment of the Bus Station. This requires further management action to challenge the current arrangements with bus companies.</p>	<p>Chief Officer City Management</p>



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<b>Issues raised in 2011/12</b>	
<b>Issues and Actions</b>	<b>Responsible Officer</b>
<p><b><u>Significant Deficit Budgets</u></b>  Ongoing and increasing deficits in a number of Secondary Schools</p> <p><u>Action - year end position 2011/12</u>  Regular monitoring by both Education and Financial Services, and regular reporting to Budget Forum. Some are SOP-related and eventual closure will limit the timescale of these.</p> <p><u>Action - year end position 2012/13</u>  Ongoing monitoring and consideration of implementing the Code of Practice and issuing warning notices to Governing bodies.</p>	<p>Chief Officer Education</p>
<b>Issues raised in 2010/11</b>	
<b>Issues and Actions</b>	<b>Responsible Officer</b>
<p><b><u>Legal Action – Drainage Board</u></b>  A legal action taken by a private landowner against the Environment Agency (EA) involves the Caldicott and Wentlooge Internal Drainage Board (IDB) which is funded through a Special Levy from 3 Local Authorities, including Cardiff. The landowner has issued proceedings in the High Court against the EA in relation to the improvement of the sea wall between Cardiff and Chepstow. The EA has said that the duty rests with the Caldicott and Wentlooge IDB, which has been joined in the litigation as Second Defendant. If the Drainage Board is found liable for the maintenance of the sea wall, Cardiff could end up paying some of the cost of the work through the Special Levy. The current cost of work allegedly required to the sea wall is estimated at £35 - 45 million.</p> <p>In connection with this the nominated Cardiff Councillor representative on the Board has brought concerns raised with him about the way the Board is run to the attention of the appropriate authorities.</p> <p><u>Action - year end position 2010/11</u>  The three Councils, Cardiff, Newport, and Monmouthshire have jointly appointed Counsel. The Councils continue as Defendants to this Court action, with no active participation, in accordance with Counsel's Advice. The need for direct involvement by the Councils would only arise at a later date when this case is concluded, and would be by way of a separate action.</p> <p>In relation to the way the IDB is run, a complaint brought to the attention of Members from Cardiff, Newport and Monmouthshire by a third party has been submitted to the Welsh Assembly Government, and this is currently being investigated.</p> <p><u>Action – year end position 2011/12</u>  Chief Officer now attending Drainage Board Meetings with Members.</p>	<p>Chief Officer City Services</p>

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<p>The High Court concluded that the responsibility for the maintenance of the sea wall lies with the IDB. The word maintain carries its ordinary meaning of keeping the sea wall in good repair, and does not include a duty to improve the sea wall by raising its height. The IDB had prudently budgeted for any costs it might have been expected to pay.</p> <p>The complaint submitted to Welsh Government is still ongoing. The Wales Audit Office is currently investigating the allegations.</p> <p>IDB membership is updated to include City Service’s Chief officer. The Chief Executive of the Board resigned and a case remains under investigation. An interim manager is in post and is dealing with other structural and disciplinary matters and delivering transparency to the Board.</p> <p>The Welsh Government is revising the role of IDBs in the context of a Single Environmental Body for Wales, the outcomes are expected shortly.</p> <p><u>Action - year end position 2012/13</u> Board Membership has been updated since the local elections.</p> <p>Wales Audit Office presented a report to the IDB in respect of governance and financial management. Board Members only, have received copies and have made responses accordingly. Cardiff remain dissatisfied with the governance arrangements regarding the Board’s current formation and are urging Welsh Government to change the IDB role and organisation in the context of the new Natural Resources Wales single Environmental Body – Ongoing.</p>	
<p><b>Issues and Actions</b></p>	<p><b>Responsible Officer</b></p>
<p><u>Llanishen Reservoir</u> planning application could result in the re opening of an Inquiry in July/August 2011.</p> <p><u>Action - year end position 2010/11</u> The Council will engage with any enquiry that is called to strongly defend the Council position, but if unsuccessful then costs of an enquiry could be awarded against the Council.</p> <p><u>Action – year end position 2011/12</u> The planning Inquiry closed in January 2012 and the Planning Inspectorate has reported his findings to the Welsh Minister. A decision is expected in early summer 2012.</p> <p><u>Action - year end position 2012/13</u> The Welsh Minister has recently decided to refuse all three planning applications. It is highly likely that the applicant will continue to pursue the matter further through the courts and/or through further planning applications.</p>	<p>Chief Officer City Development</p>

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### **Monitoring**

91. 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.

### **Certification by Leader of the Council and the Chief Executive**

92. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Leadership Team.
93. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the result of the review of effectiveness of the systems of internal control. There are plans to provide improvements in review processes and address weaknesses to ensure continuous improvement of the system of internal control.
94. On the basis of this process, the legal and financial advice of the statutory officers, the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2012/13.