

## ANNUAL GOVERNANCE STATEMENT 2014/15

### Scope of Responsibility

1. The City of Cardiff Council (the 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. The 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, the 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.
3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. There are further specific requirements for the Pension Fund which are:
  - The Statement of Investment Principles
  - Funding Strategy Statement
  - A full Actuarial Valuation to be carried out every third year
4. The 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 the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2005.

### The Purpose of the Governance Framework

5. 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.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.
7. The following paragraphs summarise the core principles of the 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

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- 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

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

8. The authority's vision is an integral part of the city's 10 Year *What Matters* Strategy (2010-2020) which has been developed in conjunction with public, private and voluntary sector stakeholders and following citizen engagement.
9. The *What Matters* Strategy brings 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 7 shared outcomes. The Council participated in the development of seven Citizen Outcomes with the Cardiff Partnership Board partners.
10. The Council's new Corporate Plan for 2015-17 sets out a clear vision to be "Europe's most liveable Capital City" based on delivering the What Matters seven strategic outcomes. There is also a greater focus on a smaller number of priorities and review of performance measures. The draft Corporate Plan priorities have been determined as:
  - Education and skills for people of all ages
  - Supporting vulnerable people
  - Sustainable economic development
  - Working with people and partners to design, deliver and improve services
11. 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.
12. Delivery against the What Matters Outcomes has continued in 2014/15. An Annual Report for 2013/14 was produced in May 2014 detailing progress and the Report for 2014/15 will be prepared following 31st March 2015.
13. As part of the mid-term review of the 10 year Strategy, the Partnership has commenced a refresh of the Strategic Needs Assessment and Strategy for completion by Autumn 2015. The refresh will review the changing policy context and priorities in light of the changed economic environment and also reflect future requirements of the Wellbeing of Future Generations Bill.
14. To inform the refresh, work has also been undertaken with the existing Partnership Programmes to review priorities and at the meeting of the Cardiff Partnership Board on 5th February, it was agreed that there should also be alignment of delivery arrangements with the Council's Organisational Development Programme where relevant.
15. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. The Cardiff Partnership Leadership Group, chaired by the Leader of the Council, acts as an overarching body providing strategic guidance for the city on wide ranging issues.. The implementation of the vision is led by the Cardiff Partnership Board (CPB), chaired by the Council's Chief Executive and supporting programme management arrangements.
16. In 2014, the Cardiff Partnership Leadership group was replaced by the Joint Cardiff & Vale of Glamorgan Local Service Board (agreed by Cabinet on 10th April 2014) and there have been three meetings to date. A joint work programme has been agreed and is being progressed which aligns with both the What Matters Strategy and the Council's Corporate Plan.

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17. 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 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.
18. Alignment of commissioned services and partnership activity has continued in 2014/15 using Neighbourhood Partnerships as mechanism for aligning local service providers, reviewing provision and identifying gaps. There has also been significant progress made in using individual focussed data to review provision and provide improved tailored support e.g. EET Panels (EETs refers to young people not in Education, Employment or Training). Through robust contract management and performance reporting there has also been reviews of thematic services (e.g. Parenting Services) across separate Programmes such as Families First, Communities First, Flying Start and Team around the Family which has identified both potential duplication and gaps in provision. This has resulted in decommissioning of some services and commissioning of new provision to meet demands.
19. A Neighbourhood White Paper was agreed by partners in October 2013 which included a number of recommendations for further developing locality working and the delivery of neighbourhood action plans. One of the recommendations included the identification of lead elected members for each of the six Neighbourhood Partnerships, which were agreed by Cabinet in March 2014.
20. The Neighbourhood White Paper has been implemented in 2014/15 including the establishment of the Lead Elected member role for the 6 Neighbourhood Partnership and the delivery of the Neighbourhood Fund.
21. Neighbourhood delivery also continues to shape the new model of public services in Cardiff and this is reflected by its inclusion in Council's Organisational Development Programme – Reshaping Services Portfolio and a new Neighbourhood Infrastructure Service Pilot being undertaken.
22. 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, Directorate Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.
23. The Corporate Plan and Directorate Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) 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.
24. Enhancements have been made in 2014/15 to strengthen the performance management arrangements given the range of challenges facing the Council, examples include the Star Chamber Sessions chaired by the Leader and the Improvement Boards chaired by the Chief Executive set up within specific Directorates including Children's and Education and Lifelong Learning.

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25. An annual Improvement Plan reports the progress over the previous financial year in terms of:
- a review against the key objectives
  - 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,
  - an account of the challenges for the future which in future will be part of the requirements of the Corporate Planning regime.
26. 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.

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

27. 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. Annual Council meet in May of each year to establish Committees, their size, terms of reference and allocation of seats. The Council’s Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees; which is reviewed regularly by the Constitution Committee and recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.
28. The Council’s Constitution sets 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.
29. Soon after the 2014/15 Budget was approved in February 2014 Council the Leader announced her resignation. Councillor Joyce stepped down when a new Leader had been appointed by the Labour Group; Councillor Phil Bale was elected the Leader of the Council in March 2014.
30. 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 Independent Remuneration Panel 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 also in the Annual Statement of Accounts.

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31. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Authority's strategic policy priorities and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.
32. The Annual Improvement Report 2013/14, was noted by the Cabinet on 18 September 2014, which incorporated several proposals for improvement which have been instigated through 2014/15 including;
- Directorate Delivery Plans that provide clear milestones and performance indicators against which the delivery of the Corporate Plan can be monitored;
  - Aligned monitoring and reporting cycles for finance and service performance information to afford the Council greater visibility of its overall performance position;
  - Performance Challenge sessions at Senior Management Team on a monthly basis;
  - Joint Cabinet and Senior Management Team Performance Challenge meetings on a monthly basis;
  - Scrutiny of performance information prior to formal Cabinet consideration;
  - Accelerated Improvement Support – led by the Chief Executive for targeted services, including Children's Services and Education, utilising a mix of internal support and external peer support and challenge;
  - A Challenge Forum which draws together senior Members and officers, together with external peer support, to test and challenge the Council's progress against its improvement journey;
  - An extensive staff engagement programme to raise awareness of, and involvement in, the improvement journey;
  - A simplified Personal Performance Development and Review process and a focus on compliance.
33. During the Autumn of 2014 the Council set about developing a Corporate Plan for 2015-2017 in the context of severe financial challenges facing local government. The content of the Medium Term Financial Plan (MTFP) approved as part of the 2014/15 Budget Report has been incrementally updated during the year as further negative announcements were made by both the UK government and the Welsh Government. The July Budget Strategy Report detailed changes to the assumed level of Revenue Support Grant (RSG) which increased the anticipated budget gap from £34.2 million as reported in February 2014 to circa £45.5 million in July 2014. The 2015/16 Provisional RSG settlement announced in October 2014 was slightly better than the planning assumption mainly as a result of increases in population. The final RSG settlement in December 2014 was consistent with this position so that overall the Council's cash position is a reduction of £12.516 million against that received in 2014/15 resulting in the second year of an absolute cash reduction.
34. As part of the Budget Strategy Report it was decided that the budget savings proposed for 2015/16 would need to be delivered by following a targeted budget savings approach and that the classification introduced in 2014/15 would be continued. Consequently, targets were developed under the headings of:
- Policy led savings
  - Business Process led corporate efficiency savings
  - Discrete Directorate led savings
35. Given the significant level of savings required in 2015/16 following the unprecedented level required in the current year, it is more important than ever that the proposals identified are robust and deliverable.

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36. The Council also recognises the importance of maintaining the ‘golden thread’ that should exist between:
- priorities;
  - service and financial planning;
  - timely performance management that integrates financial and service performance, and;
  - objectives for, and performance of, individual members of staff.
37. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. As part of the integrated, corporate approach required to support the implementation of the Corporate Plan 2015-2017, individual Directorate Delivery Plans, containing more detailed objectives and outcomes, further integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.
38. During 2014/15 there has been a period of stability regarding the Senior Management Team, Paul Orders, Chief Executive commenced in post in December 2013. In February 2015 the Cabinet were presented with a report from the Chief Executive with proposals for an amended senior management structure, which is designed to meet the objectives of the proposed budget saving as outlined in the Cabinet report ‘2015/16 Budget proposals – For Consultation’ that was considered on 20 November 2014 and the objectives set out in the Cabinet report entitled ‘Senior Management Arrangements’ that was considered on 26 January 2015.
39. The proposed restructure looks to reduce the number of posts from eleven to seven. The Chief Executive has discussed the proposals with each of the affected individuals who were invited to provide comments in response. He has also briefed relevant audit and inspection bodies on the proposals. The Chief Executive has considered the various comments which have been received as part of the consultation process. As a result, the proposals set out in the report reflect any subsequent changes that have been made to the Tier 1 proposals based on valid submissions received.
40. The following roles are considered new roles and, therefore, will need to be advertised externally: 1) Director of City Operations, 2) Director of Social Services and 3) Director of Governance & Legal Services (reporting to Corporate Director Resources).
41. 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.
42. The Corporate Director Resources is the Council’s Section 151 Officer who has overall responsibility for the financial administration of the Council. During the temporary period when the Corporate Director Resources was acting as Interim Head of Paid Service arrangements were put in place for an Interim Section 151 Officer. 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).
43. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.
44. 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.

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45. Currently the Council's Monitoring Officer role is undertaken by the County Clerk and Monitoring Officer. This position is affected by the proposed tier 1 management restructure, looking forward to 2015/16 the Monitoring Officer role will be undertaken by the new post Director of Governance & Legal Services.
46. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also 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**

47. In October 2014, the Cabinet agreed a renewed set of Values for the organisation, focusing on fairness, openness and working together. 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. 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.
48. 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 undertaken in a group environment or one to one with officers. Specific training events were instigated following the elections where Members met with senior management to gain an understanding of the wide variety of functions across the Council.
49. 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 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from Officers.
50. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members. There have been some changes to the independent members of the Committee during 2014/15, due to there being one vacant seat and Sir Richard Lloyd-Jones resigning from the Committee. A public recruitment exercise was undertaken and two independent members were appointed who both have a wealth of knowledge and experience to bring to the Audit Committee; Ian Arundale and Hugh Thomas. A full induction programme is followed for all new members. Sir Jon Shortridge was re-elected as Chair to the Committee for the municipal year 2014/15.
51. 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 programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its Work Programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational

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matters. The Committee is supported by the Council's Section 151 Officer as the principal advisor, the Audit Manager, who provides technical support and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are captured on the Council's Website.

52. 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.
53. The Council takes fraud, corruption and maladministration very seriously and has the following policies to prevent, and deal with, such occurrences:
  - Financial Procedure Rules
  - Contract Standing Order and Procurement Rules
  - Whistleblowing Policy
  - Anti-Fraud, Anti-Corruption and Bribery Policy
  - Anti-Money Laundering Policy
  - HR policies regarding discipline of staff involved in such incidents;
  - Local Government Code of Conduct (for employees)
54. Under the Anti-Fraud, Anti-Corruption and Bribery Policy all managers are required to notify the Audit Manager where there is any suspicion of fraud or impropriety, which helps to ensure a consistent and high standard of investigation is undertaken. The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach. The policy is available for staff on the Council's CIS site. A review of the policy has been undertaken in 2014/15 and is to be presented to the Audit Committee in March 2015 for comment. Once finalised and approved a message will be circulated to all staff via the Core Brief communication tool.
55. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The new streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Annually Cabinet are informed of the number of complaints received.
56. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and staff. These policies provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the (Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice), the Freedom of Information Act, and Environmental Information Regulations.
57. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receive training based on their employment within the Council and additional training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with level one being mandatory for all staff that use a PC as part of their duties. Compliance reports for level one training are regularly distributed to Directors and Operational Managers. All other staff receive a booklet outlining the Council's Policies and setting out their responsibilities, these staff are required to attend a briefing session and sign that they have received the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking



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requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.

58. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.
59. Members are registered with the Information Commissioner as individual Data Controllers.

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

60. 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.
61. 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 address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.
62. Cardiff Council Scrutiny services play an important role in facilitating robust challenge to the organisation through the work of the Scrutiny Committees and a variety of informal scrutiny panels and activities. Scrutiny is an integral part of the Wales programme for improvement, and its challenge is designed to support the cabinet in providing accessible, efficient and effective services for citizens.
63. The Council has appointed five standing Scrutiny Committees, each of which meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Training events were arranged throughout the year for scrutiny members; an example includes 'Working with Risk – Budget Scrutiny Workshop' which was held in January prior the Council's budget being set for 2015/16.
64. On 2 April 2014, Democratic Services Committee was presented with a Strategy for Democratic Services 2014/15. The Strategy set the framework for a number of improvements to be implemented throughout the year. Following the Cabinet report presented in May 2014 'Establishing a Programme of Organisational Change for the City of Cardiff Council' it was agreed that the 'Governance and Member Engagement' become a formal Programme to deliver against the Organisational Development Plan. Therefore the programme has ensured the effective delivery of the improvements identified in the report presented to Democratic Services Committee.
65. The Council's Scrutiny Committee Work Programme for the municipal year 2014/15 was published on the Council's website by way of a forward plan, which gave details of the task and finish inquiries to be undertaken through the year and the associated timescales for delivery.

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66. 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).
67. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members 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.
68. 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.
69. In January 2015, a project brief for Improving Scrutiny was presented to the Governance and Member Engagement Programme Board. The purpose of the Project is to ensure that scrutiny remains agile and able to play its role as a critical friend, in an environment that will see greater emphasis on partnerships, collaboration, commissioning and other alternative delivery models.
70. The project looks to take forward the learning from the Council's participation in the 2013 Wales Audit Office Improving Scrutiny Study; and to assess and make recommendation on the structures and arrangements that will be most appropriate to manage the scrutiny of the Council's transformation over coming years. The Project is being undertaken in participation with the Centre for Public Scrutiny, a charity providing expertise and capacity in non-executive governance, the Council is one of nine major case studies featured in a UK wide analysis of local authority transformation.
71. A project plan has been agreed along with a number of actions to be undertaken through 2014/15, some of which have already been undertaken including; Scrutiny Chairs' Liaison Forum, the Centre for Public Scrutiny interviewed key project stakeholders from senior officers through to members and desk top research has been undertaken. It is anticipated that the project will conclude in the summer of 2015. A Scrutiny Inquiry Report will be drafted in April 2015 and finalised in May, which will then be submitted to Cabinet. The timescales in place will enable managers to implement arrangements in time for the start of the 2016/17 financial year.
72. In addition to the Council's five Scrutiny Committees the Audit Committee provides a role in challenging and scrutinising the Council's governance, risk management and internal control arrangements. The work of the Audit Committee is very much informed by the work of the Internal Audit Team. The Audit Committee have very much enforced the work of the Internal Audit team, by writing to the Chief Executive or relevant Scrutiny or Cabinet Members, following reports which have been presented to the Committee. The Audit Committee were also supportive of the Audit Manager in writing to all Directors to reinforce the message of financial conduct and internal control at a time of severe financial pressures.

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73. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, currently being rolled out and delivered to middle managers across the Council. The programme will provide a benchmark of expectations placed on management which will enable managers to make informed and transparent decisions. There are a number of themes delivered across the programme; specifically the Audit Manager will be delivering two sessions to each cohort on the management of risk and decision making and compliance in context with Council procedure rules, such as Financial Procedure Rules. Cohorts commenced on the programme in the autumn of 2014 and will continue into 2015/16.
74. Further initiatives have commenced in 2014/15 to drive out consistency in the standards applied across the Council. E-learning modules are being developed around the management of risk and how to deal with instances of fraud; both of which will reinforce the message of the high standards expected of all staff.
75. The Audit Committee in January 2015 approved the Senior Management Assurance Statement 2014/15 to inform this statement, which will be completed by Directors at the year end position and challenged by the Audit & Risk Manager. Amendments have been made; specifically the emphasis has been on internal control and compliance and an additional question on Personal Performance and Development Reviews.
76. 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 Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. Councillor Graham Hinchey is the nominated Member Risk Champion and the Corporate Director Resources has continued as Senior Officer Risk Champion through 2014/15.
77. During the financial year the group have focused on a number of key themes, comparison exercises have been undertaken to those within the Core Cities Group. The findings have been presented to the Steering Group, the exercises have focused on Corporate Risks, Risk Management Partnership Protocols and Risk Appetite Statements. Following the research the group will oversee the development of a Risk Management Partnership Protocol to supplement the Risk Management Policy, Strategy and Methodology; and the development of a Risk Appetite Statement in 2015/16.
78. In September 2014 the Steering Group were presented with an Internal Audit report of the Council's Risk Management arrangements, which identified good practice in many aspects of managing risks. An overall satisfactory audit opinion was provided and an Action Plan setting out a few recommendations to enhance existing arrangements, which are being overseen by the Steering Group e.g. the development of a Risk Appetite Statement which will be taken forward in 2015/16.
79. The work of the Risk Management Steering Group is cascaded to the network of Risk Champions who assist with identifying, assessing and managing risks at a Directorate level.
80. The Council has a Risk Management Policy, Strategy and Methodology, which was last reviewed in 2013/14. The Cabinet approved the revised document on 13 March 2014.
81. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. 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 Directorate Delivery Plans.

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82. 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.
83. 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**

84. 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.
85. 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 2012/13 a mentoring programme was put in place for Members to support each other.
86. 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.
87. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.
88. 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.
89. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.
90. In some areas compliance with Council rules has been identified as an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme has been delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

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

91. 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.

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92. In October 2014, the Cabinet agreed a renewed set of Co-operative Values for the organisation, focusing on fairness, openness and working together. The values mention specifically the importance of being “open and honest about the difficult choices we face, and leading a debate where people can have their say on what’s important to them and their communities.” Greater consultation, engagement and joint working with citizens are at the heart of these values, particularly being an Open Council.
93. The Cardiff Debate was launched with partners in June 2014 as a three year ‘conversation’ about the future of public services in Cardiff.
94. The first phase of engagement involved 37 events across the city, covering every Neighbourhood Partnership area and ward. The events involved a combination of ‘on-street’ sessions which were at existing community events, festivals or at community facilities such as supermarkets and a number of ‘Drop-In’ Workshops. The sessions focussed on which services mattered most; how the public service can save money and do things differently; and how can the community get more involved.
95. Interest in the events was high with over 3000 postcards completed by the public and over 6,600 ‘votes’ cast on people’s top three services. A full report of the results and findings of Phase 1 can be found at <http://cardiffdebate.co.uk/reports-and-information/>
96. As part of the Cardiff Debate work, the Council and its partners have collected citizen vox pops on what people think are priorities and a new website has been established for people to give views. Social media is also being utilised to both encourage discussion, promote engagement events and share findings - @Cardiff Debate.
97. In light of the difficult budget decisions require, the Council has undertaken its largest public consultation on the budget proposals to date. City-wide proposals were published by neighbourhood areas within the ‘Changes for Cardiff’ consultation so the public could understand the full impact of the proposed budget savings in their community.
98. A wide range of mechanisms were used to promote the consultation including a short video on the ‘£124m budget challenge’, 10 engagement events, partners, libraries, leisure centres, community centres, Citizen’s Panel, social media etc.
99. At the end of the consultation 4,191 questionnaire responses were received, over 500 attended events, 766 communications received, 91,418 views of the budget webpage and 20,000 people signed petitions representing a high level of engagement in the consultation. A full report on the consultation process and results can be found at [www.cardiff.gov.uk/budget](http://www.cardiff.gov.uk/budget)
100. The Council continues to provide 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.
101. 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, public and third sector leaders on topics of their expertise.
102. 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 Directorates are in accordance with the Council’s Corporate Consultation Strategy.

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103. 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.
104. 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.
105. A budget engagement process was undertaken to inform the 2014/15 budget proposals which included engagement events, an on-line budget strategy tool and consultation on the detailed proposals.
106. 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.
107. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.
108. Institutional stakeholders, to whom the authority is accountable to include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.
109. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.
110. The Authority regularly engages in consultation with the Trade Unions. Consultation with the Trade Unions has taken place through 2014/15, particularly with regards to the budget saving proposals which were considered in advance of the Cabinet meeting. In addition, detailed negotiations in respect of the Budget Strategy planning assumption in relation to reductions in employee costs were completed in January 2015 with the agreement of the Partnership for Change Memorandum of Understanding. This document was considered by Cabinet on 26 January 2015 and will prepare the way for continued negotiations between the Council and trade unions to conclude by 31 July 2015.

### Review of Effectiveness

111. 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 which is informed by:
  - The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
  - The opinion of the Audit Committee;
  - The outcome of any Scrutiny reviews;
  - Views or comments from any Committee, the Cabinet or Council;
  - The work of the Internal Auditors;
  - The external auditors and other review agencies and inspectorates.

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### An Internal Control Self Assessment

112. At the year end position Directors are required to complete a Senior Management Assurance Statement, reflecting on the internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues will be highlighted in the Assurance Statement.
113. Building on previous work of the Annual Governance Statement 2013/14, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing.
114. Any new issues captured on individual Senior Management Assurance Statements, 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.

### Assurance Mapping

115. During a period of unprecedented financial challenges the Audit Manager is aware of how resources are stretched across Directorates, which will continue to become even more of a challenge in 2015/16. The Audit Manager has set about identifying what Regulators and Other Inspection Bodies are engaging with Directorates. This information will be used to build and develop an Assurance map to provide an overview of the work of others, which may contribute to providing assurance in relation to governance, risk and internal control matters. This will help shape future Internal Audit priorities and impact on the work and timing of the Internal Audit team, which should seek to provide greater assurance in some areas, avoid duplication and ease the pressures on Directorates, in dealing with those who seek to provide independent assurance on Council functions.
116. Evidence has been collated to inform this Assurance mapping exercise at the financial year end which captures the key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure all key sources of assurance can be captured in this statement. Work has also started to determine where the work of others seeks to provide assurance around the mitigation of corporate risks as set out in the Corporate Risk Register. This again will help provide assurance to senior management understanding where others are contributing to mitigation of these strategic risks and can help to shape audit plans and priorities to maximise the use of this resource.

### External Audit and Inspection

#### Wales Audit Office

117. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.
118. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.
119. During the financial year 2013/14 the Wales Audit Office commenced a 'Full Corporate Assessment' of the Council. The assessment was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. On 18 September 2014, the Cabinet were presented with the Wales Audit Office Corporate Assessment. The report enabled the Cabinet to review the report and consider the actions

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required to address the issues raised in the assessment. Within the report issues were raised regarding:

- Comparatively poor performance in a number of key services, with a failure of Performance Management arrangements to effect improvement;
- Governance issues relating to member support, agenda management, efficiency and transparency of decision making.
- Uncertain prospects for achieving proposed savings from 2014-15, and responding to future funding levels;
- Inconsistent application of core processes such as Personal Performance & Development Reviews and Sickness Absence management, and an associated lack of holding employees to account for these issues;
- Weak management of land and property assets.

120. The majority of the issues raised in the Wales Audit Office report had been identified in the Chief Executive's report approved by Cabinet in May 2014 addressing the challenges facing the Council, and setting out the Organisational Development Programme through which to secure continuous improvement in both systems and services. The Programme remains central to the Council's approach to addressing the issues reported by Wales Audit Office, with some strengthening of the plan being undertaken to ensure all key issues are addressed.
121. In the case of the Corporate Assessment for the Council, the Auditor General made one proposal for improvement, in that 'the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment'.
122. The Wales Audit Office have been monitoring progress through out the financial year and intend to undertake a further inspection in 2015/16 to assess progress.

**Internal Audit**

123. 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 Public Sector Internal Audit Standards which came into effect on 1 April 2013.
124. The Audit 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).
125. The Audit Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Section 151 Officer, but also has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members. The Audit Manager post has been undertaken on a job share basis since April 2011. Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.
126. 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 framework for financial control within the Council, for the financial year 2014/15, is . . . . .

**Audit Committee**

127. Based on the evidence presented to the Audit Committee during 2014/15, the opinion of the Committee is . . . . .



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### Other Sources of Assurance

128. Information to be drawn on from the sources relayed in Appendix A at the end of the financial year.

### Significant Governance Issues

129. 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 Corporate Risk Register will not be captured in the below table to avoid duplication in the review process.

Issue	Action	Responsible Officer
<b>Issues raised at Year End 2014/15</b>		

### Monitoring

130. 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 the Leader of the Council and the Chief Executive

131. 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 Management Team.

132. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the review of effectiveness based on 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.

133. 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 2014/15.

Councillor Phil Bale, Leader of the City of Cardiff Council  
Date:

Paul Orders, Chief Executive  
Date: