

## **GOVERNANCE & AUDIT COMMITTEE: 10 September 2024**

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### **DRAFT YEAR-END SELF-ASSESSMENT REPORT 2023/24 & UPDATE ON THE COUNCIL'S CONTROL ENVIRONMENT**

#### **REPORT OF THE CHIEF EXECUTIVE**

**AGENDA ITEM: 4.1**

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#### **Reason for this Report**

1. This report provides the Council's draft Self-Assessment Report 2023/24 and the Chief Executive view of the Council's Control environment.
2. The Governance and Audit Committee's Terms of Reference requires it to:
  - Review the Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes.
  - Consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
  - Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - Monitor the effective development and operation of risk management in the Council.
  - Monitor progress in addressing risk-related issues reported to the committee.
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - To review the governance and assurance arrangements for significant partnerships or collaborations.

#### **Background**

3. The Governance and Audit Committee receives an annual report on the Council's Control environment for its consideration and assurance. It also receives the draft annual Self-Assessment (Well-being) Report to review and make any relevant recommendations in accordance with its role brought into force through the Local Government and Elections (Wales) Act 2021.
4. The Governance and Audit Committee receives an overview of the non-statutory half-year self-assessment process and outcomes from the Head of Performance and Partnerships at its Committee meeting each year in January.

5. To support the Committee's understanding of the Council's Planning and Performance Framework, a briefing session was held in June 2023, which had the intention of ensuring a sound base-level understanding of the arrangements in place underpinning the report.

## Issues

6. The following report has been structured to provide an outline of the Council's performance and assurance frameworks, the arrangements in place to oversee and manage their effective application, and the reporting and improvement arrangements in place. This culminates in the draft year-end self-assessment report 2023/24, contained within **Appendix 1**.

## The Council's Planning and Performance Framework

7. The Planning and Performance Framework is central to the Council's corporate governance arrangements. The Framework sets out how the Council identifies and agrees what it wants to achieve, how it measures and reports progress and, where necessary, how it identifies and agrees actions to improve performance. There are, therefore, three distinct components to the Council's Planning and Performance Framework:
  - a) Identifying and agreeing what the Council wants to achieve: This is to ensure that there is a clear view of what success looks like across the organisation and with relevant partners, supported by realistic plans and budgets and with clear accountabilities, performance metrics and targets.
  - b) Measuring and reporting progress: This is to ensure that performance reporting is timely, integrated, and contains appropriate details drawn from a range of performance sources. It also allows performance reports to be developed through a process of self-assessment. The performance reports inform robust performance dialogues involving the Council's senior political and managerial leadership, and its wider political governance, focused on agreed priorities. The Council's approach further ensures that its performance monitoring is fact-based and data-driven with performance assessment subject to challenge and support.
  - c) Identifying and agreeing actions to improve performance: This is to ensure that performance discussions are improvement-focused, action-orientated, and that these actions are tracked as part of the Council's performance framework.
8. The Council's Planning and Performance Framework must respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 and the more recent Local Government and Elections (Wales) Act 2021, which replaces the Improvement Duty set out in the Local Government (Wales) Measure 2009.
9. The Well-being of Future Generations Act requires the Council to set and publish Well-being Objectives, take all reasonable steps to meet those Objectives and publish a statement about Well-being Objectives. These duties are fulfilled through the Council's Corporate Planning process. The Well-being of Future Generations Act also requires the Council to publish an annual report of progress, which is done through the Annual Well-being Report.

10. The Local Government and Elections (Wales) Act 2021 establishes a new legislative framework for local government elections, democracy, governance, and performance. The Act requires each council in Wales to keep under review, through self-assessment, the extent to which it is meeting the 'performance requirements' – i.e., the extent to which:

- It is exercising its functions effectively.
- It is using its resources economically, efficiently, and effectively.
- Its governance is effective for securing the above.

11. The Act also places a duty on each council to publish a report setting out the conclusions of their self-assessments once in respect of every financial year.

### Corporate Planning

12. The Council's Corporate Plan translates the administration's policy agenda into Well-being Objectives, with SMART 'steps' to outline what will be done and by when. Key Performance Indicators (KPIs) with corresponding targets are also agreed to help monitor progress and both political and managerial responsibility is also identified for each step and KPI. An enhanced process for Corporate Plan development was agreed by Cabinet in February 2022 and includes:

- A Mid-Year Self-Assessment which is considered by Cabinet in December, following engagement with the Policy Review and Performance (PRAP) Scrutiny Committee. This commences the process of refreshing the Corporate Plan.
- Thematic Challenge Sessions which are convened in respect of each Well-being Objective during January/February each year. The challenge sessions are chaired by the Leader and are attended by the Cabinet Member for Finance, Modernisation and Performance, the relevant lead Cabinet portfolio holders, relevant Directors and Chief Executive. The challenge sessions consider progress and challenges in relation to each of the Well-being Objectives within the Corporate Plan, and provide an opportunity to consider priorities, steps, Key Performance Indicators and targets for the year ahead.
- Engagement with the Performance Panel each January/February. The Performance Panel is convened by the Chair of the PRAP Scrutiny Committee and allows the Chairperson of each Scrutiny Committee to:
  - Make recommendations for improvement and strategic policy suggestions for consideration as part of Corporate Plan development.
  - Support Corporate Plan development: with a focus on the priorities, steps, Key Performance Indicators and targets proposed for inclusion within the revised Corporate Plan.
- Engagement with all Scrutiny Committees including PRAP Scrutiny Committee as part of pre-decision scrutiny of the Corporate Plan in February.
- Formal consideration by Cabinet and Council in February/March. The Corporate Plan is part of the Council's Policy Framework and this, as set out in the Constitution of the Council, ensures that the Corporate Plan is formally subject to consideration by all elected members.

13. The Council's Corporate Plan is supported by Directorate Delivery Plans (DDPs). Directorates across the Council play a critical role in enabling the Council to achieve its priorities and DDPs are the key vehicle for doing this. Directorates are responsible for identifying the Well-Being Objectives and associated steps to which they contribute, and for developing milestones which state the actions they will take. Key Performance Indicators must also be identified to measure progress, alongside any risks and auditor recommendations which must be managed and responded to. DDPs must be written within the context of good resource management, for example, workforce development and financial management and must include an assessment of progress and challenges to identify appropriate priorities. DDPs also contain a range of corporate indicators of performance including:
- a. The Service Commitments which have been identified to deliver the Corporate Plan, as well as any associated service KPIs.
  - b. Corporate Health Indicators, including data on staff sickness absence, staff turnover, compliance with mandatory training and the number of agency staff employed.
  - c. Links to the Corporate and Directorate Risk Registers which set out the mitigating actions the Directorate have identified in order to address major risks.
  - d. Recommendations of External Regulatory Bodies, including the agreed responses to any recommendations or proposals for improvement.
  - e. Links to the Scrutiny recommendations which have been accepted by Cabinet and which the Directorate is responsible for progressing.
  - f. The requirements of the Welsh Language Standards, Welsh language policy and Equality Objectives
  - g. The Corporate Safeguarding actions, specific to the Directorate's business, that have been identified through the Corporate Safeguarding self-assessment process.
14. Performance against the delivery of the Council's Well-being Objectives as set in the Corporate Plan is reported through a strategic self-assessment of performance contained within the Annual Well-being Report. The process for the development of the Annual Well-being Report is set out from paragraph 33 below. Performance improvement and evaluation isn't something that only takes place at the end of the financial year. A mid-year self-evaluation report is also considered by Cabinet drawing on performance information at month 6 and performance is monitored quarterly through updates to the steps and measures in the Corporate Plan, and the areas of risk, budget, audits, consultation, and performance are all considered throughout the year to drive improvement.
15. In Quarter 4 2022/23 Audit Wales undertook an examination of how Cardiff Council set its Well-being Objectives with a focus on how the Council had applied the sustainable development principle throughout this process. The report was presented to Governance and Audit Committee for consideration as part of the Committee's Programme of work. The examination included reviewing key documents, interviews and workshops with key officers and cabinet members and observing some of the meetings outlined in paragraph 12. The examination concluded that '*the Council has used the sustainable development principle to drive the setting of its well-being objectives including good use of data and a strong collaborative approach.*'

16. No formal recommendations for improvement were made but the report noted that while the Corporate Plan did include many of the legislative requirements pertaining to a well-being statement, some elements were not covered, namely: how the Council intends to govern itself and its progress towards achieving its Well-being Objectives and it does not set out how the Well-being Objectives will help meet the national Well-being Goals. This was rectified in the development and publication of the Corporate Plan and setting of Well-being Objectives for 2024/25.
17. In relation to performance reporting the Audit Wales examination concluded that *'the Council has robust arrangements for monitoring its Corporate Plan and wellbeing objectives throughout the year. These include its mid-year and annual self-assessment alongside regular progress reports to Cabinet, senior managers and scrutiny committees. These provide regular opportunities to understand progress, identify issues and discuss remedial actions where necessary.'*
18. In 2022/23 a corporate level audit of Performance Management gave assurance on the corporate framework for performance management which was considered sound. As set out in the Audit Manager's Quarter 1 report, directorate-level audits of Performance Management have also been completed during Quarter 1 and have provided assurance that robust performance arrangements and systems are in place with effective directorate application of the corporate framework from which only a small number of recommendations have been raised.

## **Senior Management Assurance**

19. The senior management assurance process provides a strong internal challenge to continue to identify and target improvements in key areas of governance. Each director worked with their management teams to assess their mid-year directorate position, before submitting their returns for discussion in Senior Management Team (SMT). The SMT review is attended by the Corporate Director Resources and other SMT members representing Finance, Legal, HR and Performance and are able to provide independent insight when we consider the overall position.
20. Individually as Directors and collectively as a SMT the Senior Management Assurance Statement has been considered through the lens of the significant challenges arising from rising demand, inflationary pressures and the resulting pressure on service budgets. The Senior Management Assurance Statement (SMAS) is a key piece of evidence which informs the assurance sessions that are held with each Director and the Chief Executive, in conjunction with senior management in Performance and Finance, at mid-year and year-end. These challenge sessions require each directorate to consider the merits of the self-assessment, to identify progress made against action plans, and to identify any areas of concern.
21. Alongside a range of areas where ongoing assurance is required, there remains a need for the Council's Senior Management Team to retain focus on Council finances which remains challenging. The Senior Management Team are continuing to lead on the response to the economic challenges, including:
- Interest rate uncertainty – which affect the cost of borrowing & capital programme affordability, for both the existing programme and new schemes.

- Increasing demand for our services to the most vulnerable Homelessness, Social Care and Education (ALN) at a time where public sector funding increases are being signalled to be constrained.
- Inflation – which impacts the cost of goods, works and services purchased by the Council, as well as pay awards to our staff.
- Supply chain and labour market shortages – disruption to supply chains linked to geopolitical issues, and labour market shortages which may increase the cost of commissioning services in areas particularly affected.

### Independent Assurance

22. The Senior Management Team values the independent assurances from both internal audit colleagues and from the range of providers of external assurance, principally Audit Wales, Estyn, Care Inspectorate Wales and HM Inspectorate of Probation. The information received provides a level of independent assurance that is used in conjunction with the SMAS returns and the Corporate Risk updates.
23. In the majority of cases, assurance reviews confirm that systems of governance and internal control are robustly designed and operating effectively. A small number of areas internal audit assurance and advisory reviews have identified a need for improvements to key controls. The importance of getting the basics right, around internal controls and performance management, at a time of financial and demand pressures, has recently been underlined to managers across the Council. This echoes the messages of a recent Audit Wales report on the subject. Where improvements are required, it is important that a focus is maintained on the actions necessary for an effective control environment in relation to the area of review.
24. Audit and counter-fraud work has an important and prominent profile in the Council:
- The Governance and Audit Committee approves the plan of audits each year, following its development by the Audit Manager, in engagement with the Senior Management Team.
  - Directors meet with their audit relationship manager regularly to review and discuss audit reports and recommendations for required attention and action, and to consider areas of risk in the development of future audit plans. Directors are encouraged to have a close relationship with the Internal Audit team, and in all areas, there is clear evidence of an effective two-way communication between them.
  - The Audit Manager attends meetings of the Senior Management Team at regular stages during the year to provide an overview of Internal Audit planning and assurance, key messages from work completed, and tracking information on the timely response to audit reports and recommendations. Additionally, the Audit Manager provides counter-fraud updates within Senior Management Team meetings, and associated risks, priorities, outcomes and initiatives are discussed.
  - Mandatory fraud awareness training is in place, and awareness and communication campaigns to reinforce the commitment to tackling fraud and safeguarding public resources.
25. The need for prompt action on recommendations is a high priority for the Senior Management Team. Alongside the Internal Audit and Scrutiny recommendation trackers, a tracker of recommendations from external review bodies is in place to cover wider assurance, inspection, and regulatory activities. This tracker is presented to Committee for review and comment twice a year. The Senior Management Team welcome the insight, comment and recommendations from the Governance and Audit Committee in considering these reports.

## Risk Management

26. The Council's Corporate Plan involves the coordination of a wide range of diverse functions and programmes of work. Delivering our objectives requires frequent management of a wide range of risks at both operational and strategic levels. This progressive risk management approach focuses on identifying the key risks to our delivery, in order to develop and implement actions to achieve targeted risk levels.
27. The Council's approach to risk management ensures that Senior Managers are supported to identify and report risks at the right level in a timely manner. Officer risk champions and operational managers support each director in formally identifying and reviewing their operational and strategic risks on a quarterly basis, and are on hand for ongoing advice, guidance and support.
28. The Council continues to report new and emerging risks through the process of risk escalation where directors communicate significant risks to SMT to raise collective awareness and support. Whilst directors are accountable for deciding which risks they escalate to SMT, as a minimum requirement all 'red' residual risks are escalated each quarter.
29. The Corporate Risk Register is formally reviewed and updated on a quarterly basis to ensure that it is a current reflection of the primary risks to the Council's objectives. Management of the Council's most critical risks is prioritised, with particular attention paid to 'red' residual risks, and any increase in residual risk.
30. Target risk ratings have been developed for 'red' residual corporate risks and challenging but achievable timescales for reducing these risks have been set. Of ten such risks at the latest reporting date, target residual risk levels are identified for nine risks.
31. Whilst improvements have been made through ensuring target dates are set for each proposed action and a sharper, succinct focus on risk impacts and actions, it is recognised there remain further improvements to be made such as ensuring all risk reviews remain timely and proportionate. There is particular focus on gaining further assurance on directorate risk registers that they remain comprehensive and proportionate in their coverage.
32. It is not currently possible to target overall risk reductions for the remaining corporate risk. This is because of external factors, which have presented uncertainty and limited levels of actual control.
  - a. **City security** - *Major security-related incident in 'crowded places' as a result of international or domestic terrorism.*

The current focus is on making targeted incremental improvements through investment in the city's protective infrastructure. The Council is actively engaged in partnership working to prevent, protect and prepare for a major security-related incident, with a Protect and Prepare Group established, chaired by the Chief Executive and reporting into the city's CONTEST Board, but this is against the backdrop of the UK threat level of 'substantial'.

## Self-Assessment Report (Annual Well-being Report)

33. The Council's Annual Well-being Report, a requirement of the Well-being of Future Generations (Wales) Act 2015, acts as the Council's Statutory Annual Self-Assessment Report, providing an assessment of performance for each Well-being Objective, considering:

- What has gone well?
- What are the performance challenges and risks?
- What are the priorities for action?

34. The Self-Assessment draws on a range of internal and external performance intelligence sources:

- Progress against the Council's Key Performance Indicators;
- Progress against the Steps under each Well-being Objective;
- Regulatory assessment;
- Surveys and citizen feedback;
- Annual complaints report;
- Financial monitoring – the Council's Outturn Report 2023/24 serves to inform the Council's financial position in respect of the year ending 31 March 2024;
- Feedback from Scrutiny Committees and the Governance & Audit Committee – the Council responds to the issues raised and recommendations made by Scrutiny Committees, which help to inform performance improvement;
- Risk – the Council's corporate and directorate risks are considered fully;
- Annual Governance Statement, supported by the Senior Management Assurance Statement.

35. These sources of performance information are reviewed to enable the Council to develop a rounded picture of the Council's improvement journey over the year, which is set out in the Annual Well-being Report. The report provides a balanced assessment of performance for each Well-being Objective, recognising areas of progress, risk, as well as identifying specific areas of improvement and performance challenge, which will require further attention in the year ahead. The Council also has in place a performance and accountability regime, which involves the wider political governance of the Council. This involves a directorate self-evaluation of performance and internal assurance and challenge by the Council's Cabinet and Chief Executive and Section 151 Officer before consideration by the Council's Scrutiny Performance Panel, Governance & Audit Committee, and Policy Review & Performance Scrutiny Committee.

36. Last year was the second time that the Committee undertook its responsibility in considering the report and were satisfied that previous comments were reflected in the report. In the correspondence following the meeting of 11 July 2023 the Committee noted that it was "*satisfied with the self-assessment process*" and considered that a "*robust exercise has been completed in which duties have been sufficiently discharged.*" No formal recommendations were made by the Committee but the following observations arose following their consideration of the report as matters for the Council to reflect upon and consider, as future annual reports are prepared.

- *The assessment is well structured whilst being based on a governance framework and reporting requirements that have inherent complexity. The report demonstrated clear corporate ambition but in some areas our Committee considered there was scope to make the outcomes of the assessment easier to identify and digest.*



- *There was a feeling that it would be a great pity if the undoubted success which was being achieved in delivering many of the planned outcomes became lost in the inevitable detail of such a wide ranging report. In particular, it was felt that the most important ambitions and areas of performance could be more prominently highlighted within the report. This may, perhaps, be a matter for consideration in future years.*
- *Last year we referred to opportunities for some evaluative improvements in future years and we have seen evidence of this. However, we do consider that the conclusions against respective well-being objectives are drawn out to a greater extent in some areas than others.*
- *There is evidence that careful attention has been given to the content and messaging of the report, and we encourage continued effort in future years. We do not underestimate the difficulty of striking the most appropriate balance between providing a focused report, whilst also offering the necessary level of detail across the entire range of objectives.*

37. In response to the Committee's observations, the Annual Well-being Report for 2023/24 includes an overall summary of corporate performance. The report also includes a summary of the most prominent areas of progress, challenge and risk for each Wellbeing Objective, with the subsequent sections providing more detail on the Council's performance against the individual priority headings as included in the Corporate Plan. A link to the Committee's [correspondence relating to the Annual Well-being Report for 2022/23](#) is included as Appendix 2.

38. As set out in paragraph 35 the Annual Well-being Report is considered by the Council's Scrutiny Performance Panel as part of the self-assessment process. This meeting will take place on 5<sup>th</sup> September 2024 and any comments and recommendations made by the Panel, and the Council response, will be shared with committee members.

## Summary Assessment and Strategic Priorities

39. Overall, the draft Annual Well-being Report 2023/24 builds on the judgement of the Mid-Year Assessment, which has previously been considered by the Committee. The Council considers that it has made good progress across all Well-being Objectives, evidenced by an overall pattern of good performance across Council services and Corporate Plan commitments, the judgements of regulators, the effective, efficient and economical use of resources and the use of its governance arrangements to secure improvement. However, the report also identifies performance challenges and risks in each Well-being Objectives, which will require improvement action over the year ahead. The report also identifies a small number of cross-cutting strategic challenges, largely consistent with those previously identified, which are impacting all services. These include:

- **Managing sustained increase in the complexity and scale of demand across Council services:** Council services continue to face increasing and increasingly complex demand pressures which require a sustained cross-Council and multi-agency response. Demand pressures are notable in children's services, adult social care, education, and in housing and homelessness.
- **Ensuring continued financial resilience:** The Council faces significant immediate and medium-term budgetary challenges. The Budget 2025/26 and Medium-Term Financial Plan Update Report, which was considered by Cabinet and Council on 18 July 2024, set out a revised indicative revenue budget gap of £49.726 million for 2025/26 and a £147.784 million budget gap across the period of the Medium-Term Financial Plan

(MTFP) from 2025/26 to 2028/29. These pressures are due to a combination of increased complexity and scale of demand on services (see above), inflationary pressures driven by employee related costs, the costs of goods and commodities purchased by the Council (such as energy, food and fuel) and the cost of construction, materials and commissioned services.

- **Workforce pressures:** The Council continues to face a range of workforce challenges, including recruitment challenges and high levels of sickness in specific service areas. Recruitment and retention issues remain apparent across several services, which is impacting the delivery of certain projects and commitments. This is particularly the case in Adults and Children's Services, where interventions to develop tailored approaches to recruitment and retention is having a positive impact. In response to sickness absence rates being above target for the Council targeted support continues to be provided for areas with absence rates, particularly in respect to managing long term sickness absence, alongside enhanced interventions to the health and wellbeing support for staff. Over the year ahead the Council will continue to focus on the delivery of the Workforce Strategy 2023-27, prioritising proactive workforce planning, the further development of a supportive work environment, a continued emphasis on Equality, Diversity and Inclusion and an enhanced programme of staff engagement.
- **Responding to new risks and issues:** In addition to the sustained rise in demand on services, the Council has, alongside its partners, responded to several un-anticipated yet substantial risks and issues during the year. In 2023/24, these have included managing the immediate impacts of the housing emergency, responding to and developing a community response to the civil unrest in Ely, and managing the impact of accelerated asylum dispersal. In each case, the Council convened an effective response, often involving cross service-area working and collaboration with public service partners, the private sector and the third sectors. Looking ahead, the Council must continue to anticipate and respond, at speed and in partnership, to new risks and issues as they emerge.

40. Through the Council's established arrangements to identify and manage service demands, risks, governance and assurance, the Senior Management Team will continue to lead a robust response to Council challenges, priorities and needs. It is our view that the Council has a strong Senior Management Team, supported by professional managers and teams, with effective systems for oversight and assurance, these are essential for us to deliver professionally managed public services effectively.

## Legal Implications

41. As set out in the body of the report, the performance and governance regime established by the Local Government and Elections (Wales) Act 2021 requires the Council to make and publish a self-assessment report in respect of every financial year, and the report should be made as soon as reasonably practicable after the financial year to which it relates. The self-assessment report must set out its conclusions as to the extent to which it met the 'performance requirements' during that financial year – i.e., the extent to which:

- It is exercising its functions effectively;
- It is using its resources economically, efficiently, and effectively; and
- Its governance is effective for securing the above.

42. A draft of the self-assessment report must be made available to the Governance and Audit Committee. The Governance and Audit Committee must review the draft report and may make recommendations for changes to the conclusions in the draft report.

43. The Self-Assessment Report requires approval by full Council (under the Constitution, Article 4.2(a)). If the Council does not make a change recommended by the Governance and Audit Committee, the Council must include in the report the reasons why it did not make the change.
44. The self-assessment report may be integrated with the annual well-being report required under the Well-Being of Future Generations (Wales) Act 2015. However, the Council must be satisfied that all its statutory duties have been fully met.
45. In discharging functions under Part 6 of the Local Government and Elections (Wales) Act 2021, regard must be had to the statutory guidance issued by the Welsh Ministers: [Statutory guidance \(gov.wales\)](https://gov.wales/statutory-guidance)

## **Financial Implications**

46. There are no direct financial implications arising from this report. The areas covered in this report are the key building blocks in ensuring that the potential challenges to the Council delivering services are anticipated and managed effectively to provide both service and financial resilience.

## **RECOMMENDATIONS**

47. That the Committee:

- Review the Council's draft annual Self-Assessment Report 2023/24,
- Make any relevant recommendations for changes to the draft Self-Assessment Report 2023/24, to be submitted via a formal letter from the Committee Chair;
- Review and consider the wider report content represented by the control environment update.

## **Paul Orders Chief Executive**

The following appendices are attached:

1. Appendix 1: Draft Year End Well-being (Self-Assessment) Report 2023/24
2. Appendix 2: [Governance and Audit Committee Letter in response to the Annual Well-being Report 2022/23](#)