

Name of Committee:	Audit Committee
Date of Meeting:	01/07/2019
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Annual Governance Statement 2018/2019
Purpose of Report:	To submit the Annual Governance Statement for review and to recommend its adoption by the Leader of the Council and the Managing Director
Report Owner:	Managing Director
Responsible Officer:	Head of Finance
Elected Member and Officer Consultation:	Corporate Management Team.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p>Executive Summary:</p> <p>The Council is required to produce an annual review within the Statement of Accounts which provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made</p> <p>The Annual Governance Statement for 2018/2019 concludes that the governance arrangements within the Vale of Glamorgan Council for the financial year 2018/19 are operating soundly and there are no fundamental control weaknesses.</p>	

Recommendation

1. That the Annual Governance Statement for 2018/2019 be recommended for adoption by the Leader and Managing Director

Reasons for Recommendations

2. To provide for a review of the governance framework and the system of internal control, which has been in place within the Council for the year ended 31st March 2019

1. Background

- 1.1** The Council at its meeting held on 6th May 2009 (minute no. 1083) approved the adoption of a Code of Corporate Governance. The Code describes the Council's commitment to and understanding of corporate governance and outlines the arrangements that the Council has to put in place to ensure ongoing effective implementation and monitoring.
- 1.2** The Accounts and Audit (Wales) Regulations 2014 as amended from time to time, requires each Local Authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and the governance arrangements with its Annual Statement of Accounts
- 1.3** In 2016, CIPFA published its new "Delivering Good Governance in Local Government Framework", which positions the attainment of sustainable economic, social and environmental outcomes as a key focus of governance processes and structures. The Guidance has considered the requirements of the Well-being of Future Generations (Wales) Act 2015 and embedded the five ways of working into the CIPFA framework.

2. Key Issues for Consideration

- 2.1** Good corporate governance requires the active participation of Members and Officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.
- 2.2** The AGS for the 2018/19 financial year relating to the activities of the Council is attached at Appendix A. It has been drawn up with regard to the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP). It also has regard to guidance issued by CIPFA/SOLACE in its publication "Developing Good Governance in Local Government" and the Council's Code of Corporate Governance.
- 2.3** The overall Annual Governance Statement concludes that arrangements within the Vale of Glamorgan Council for the financial year 2018/19 are operating soundly and there are no fundamental control weaknesses. Issues relating to the continuing challenges of year on year reductions in Council funding and the impact this has on the services delivered, the continuing ambitious programme of transformational change, together with the fact that as the Council continues

to experience reduced resources, increased demands on services and new and innovative forms of service delivery, means that there is a need to ensure that the Council's control environment remains robust, proportionate and is as efficient and effective as possible are identified as the governance issues that have been highlighted in Section 11 of the AGS.

- 2.4** The AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts for 2018/2019.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Providing this information helps to demonstrate how the Council ensures that laws & regulations are complied with including the Well Being of Future Generations Act which sets out the 5 ways of working.

4. Resources and Legal Considerations

Financial

- 4.1** The AGS includes the requirement that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

Employment

- 4.2** None as a direct consequence of this report.

Legal (Including Equalities)

- 4.3** Production of the Annual Governance Statement is required under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time and supports the annual Statement of Accounts.

Background Papers

Appendix A: Annual Governance Statement 2018/2019

The Purpose of the Governance Framework

The Council's Governance Framework comprises all the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves.

A significant part of that framework is the Council's system of internal control. This helps to manage and control the business risks that the Council encounters in delivering its operations. Not all risks can be eliminated but they can be reduced and mitigated by implementing effective systems of control. This can only provide reasonable and not absolute assurance of the effectiveness of the environment. The Council's Governance Framework, including the Council's system of internal control, has been in place for the year ended 31st March 2019 and up to the date of the approval of the Statement of Accounts and is a continuous process.

The Council's Code of Corporate Governance was reviewed in 2016/17, with the amendments made being based upon the "Delivering Good Governance in Local Government: Framework" (CIPFA/SOLACE, 2016). The Framework positions the attainment of sustainable economic, social, and environmental outcomes as a key focus of good governance processes and structures. The focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

This Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31st March 2019.

**Scope of
Responsibility**

The Vale of Glamorgan Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for and used economically, efficiently and effectively. The Vale of Glamorgan Council sees Corporate Governance as doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong, transparent and responsive governance enables the Vale of Glamorgan Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain “citizens” confidence, these mechanisms must be sound and be seen to be sound.

The Council has approved and adopted a revised Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016. This statement explains how the Council has complied with the Code.

The Code of Corporate Governance sets out the principles of good governance and describes the arrangements in place to meet each of these principles.

A copy of the Council's Code is available on our website at www.valeofglamorgan.gov.uk

A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. B - Ensuring openness and comprehensive stakeholder engagement.

C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F - Managing risks and performance through robust internal control and strong public financial management.

G - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

GOVERNANCE PRINCIPLES

INTERNAL CONTROLS

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Ensuring openness and comprehensive stakeholder engagement.

Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Managing risks and performance through robust internal control and strong public financial management.

Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

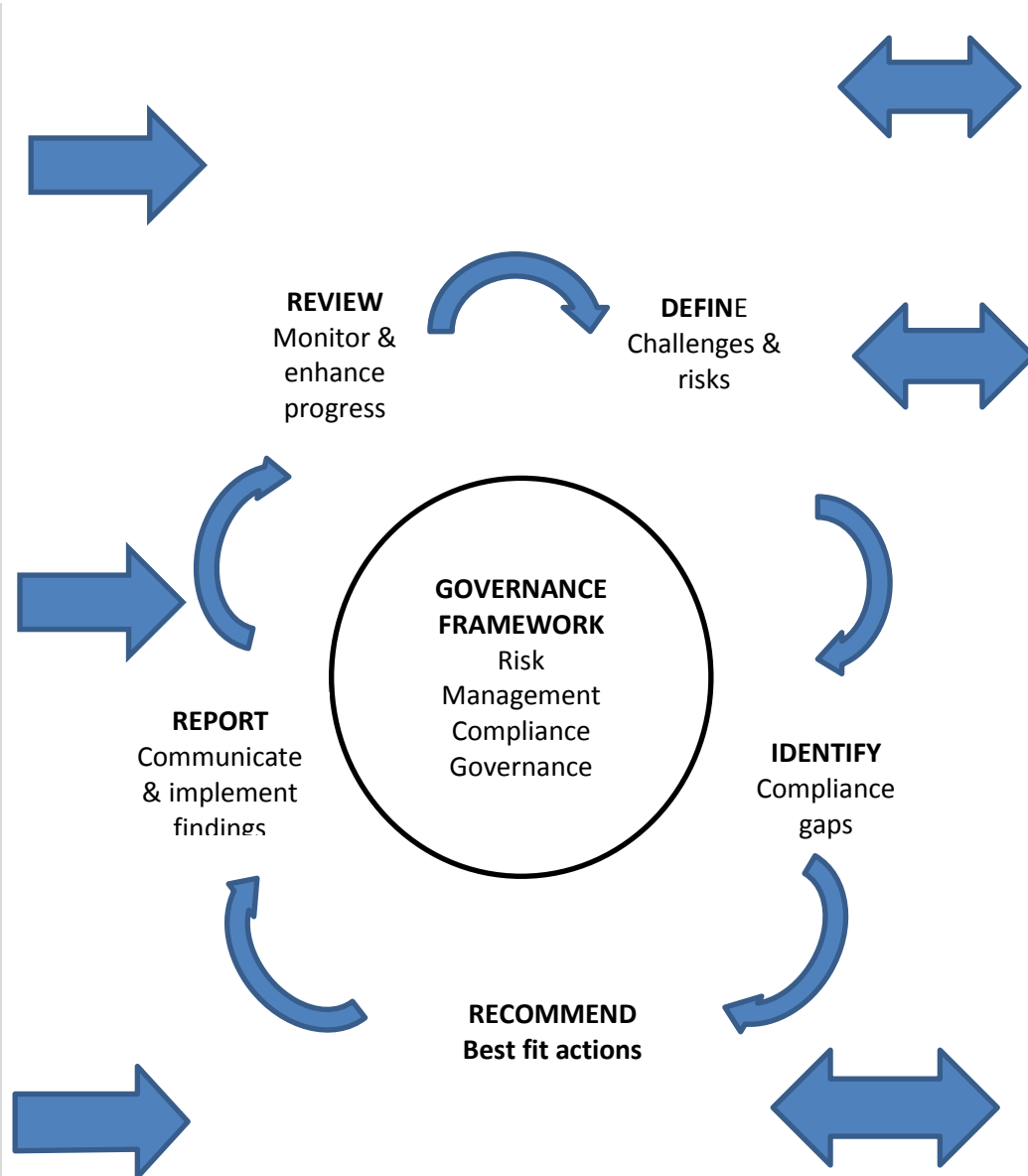
Leadership, Culture and Planning
 Organisational priorities and outcomes, Directorate and Service/Team plans
 Performance Management
 Medium term financial Plan

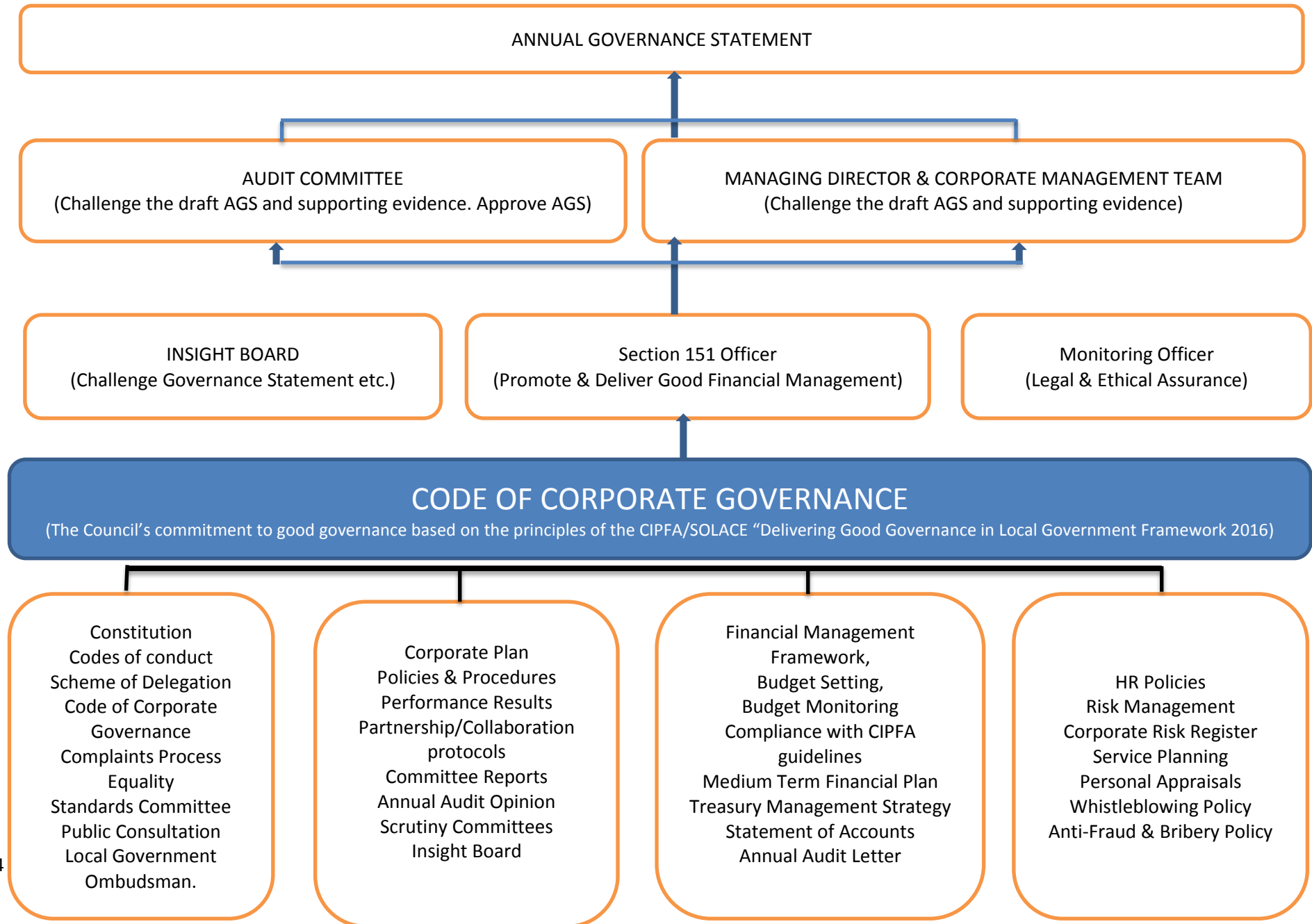
Policies and Procedures
 Constitution, Codes of conduct
 Ways of Working
 Anti-fraud, Bribery and Corruption Policy
 Whistleblowing Policy
 HR Policies

People, Knowledge, Finance, Assets
 Robust HR practices
 Information governance
 Performance monitoring and improvement
 Financial management and reporting
 Ethical & legal practices

Scrutiny and Transparency
 Freedom of Information requests
 Complaints procedure
 Reports considered by Legal and Finance experts
 Equality impact assessments

Partnership Working
 Community engagement;
 Collaboration / Partnership toolkit





**Principle A –
Behaving with
integrity,
demonstrating
strong
commitment to
ethical values, and
respecting the rule
of law**

The Council supports a culture of behaviour based on shared values, ethical principles and good conduct. This guides both how the long-term vision is put into effect and how members and officers behave in their day to day work. The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be completed. The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of delegations, contract and financial procedure rules. Codes of Conduct are in place for, and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity.

The Council's Code of Conduct for its Elected Members builds on the seven principles of public life and the Council has arrangements in place to receive and investigate allegations of breaches of proper standards of conduct which is outlined within the Council's Constitution, including the Council's Local Dispute Resolution Procedures and the Protocol of Standards both supporting the Code of Conduct for Elected Members.

The Council's Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

The Council seeks feedback from the public through its complaints procedure for both Corporate and Social Services areas, responding to the outcomes as appropriate and reporting the results at least annually to the Audit Committee. During 2018/2019 the Council received 424 complaints, 56% of which were dealt with within corporate target timescales. The number of complaints being resolved at Stage 1 was 92.9% and 7.1 at Stage 2. A higher percentage of complaints have been resolved at Stage 1 than in the previous year.

The Council also has a clear Whistleblowing Policy and arrangements in place for staff. During the year the Council undertook a staff survey to assess the awareness and willingness of staff to use this policy. A promotional campaign will be undertaken in 2019/2020 to address the issues arising from the survey. During 2018/2019, 7 concerns were raised, 4 of the concerns were upheld, no further action was required with regards to 1 and the final issues remain under investigation.

**Principle A –
Behaving with
integrity,
demonstrating
strong
commitment to
ethical values, and
respecting the rule
of law**

The Constitution is at the heart of the Council's business. It allocates power and responsibility within the Authority, as well as between it and others. It also regulates the behaviour of individuals and groups through the codes of conduct, protocols and standing orders. Through the Council's Constitution, the Council has created the conditions necessary to ensure that the statutory Chief Officers, other key post holders, Members and where appropriate statutory committees are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

Safeguarding continues to be a high priority across the council and remains on the Council's Corporate Risk Register with a medium/low status. The Corporate Safeguarding Group ensure that arrangements reflect corporate leadership, scrutiny and assurance and that there are effective policies, training and safe recruitment processes in place. This group takes responsibility to ensure that the safeguarding agenda is known, understood and adhered to across the Council and is a collective responsibility. The Social Services and Well Being (Wales) Act 2014 set out all the statutory functions of local authorities and since its enactment there has been service wide development and awareness raising, to ensure that safeguarding statutory responsibilities for employees in relation to their "duty to report" is known and understood. Arrangements within Adult Safeguarding continues to develop and will be further enhanced by the launch of the Wales Safeguarding Procedures during Autumn 2019.

**Principle B –
Ensuring
openness and
comprehensive
stakeholder
engagement**

The Council is committed to understanding and learning from the views of the public. Engagement is the process by which views of stakeholders are able to inform and influence policy and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

The Council's Public Engagement Framework details public engagement activities which are undertaken by the Council. During 2018/19 the Council has undertaken a number of consultation and engagement projects that have informed service delivery. These include the following:

- Public Opinion Survey
- The Future of Council services – Budget Consultation
- Public Toilet Strategy
- Changes to Recycling and Waste services
- Draft Parking Strategy
- Public Spaces Protection Order – Dog Controls
- M4 to J34 Transport Study
- Penarth Heights Sustainable Transport
- 21st Century Schools – Expanding Ysgol St Baruc
- 21st Century Schools – Western Vale Primary Reconfiguration
- 21st Century Schools – Expanding St Davids CIW Primary School
- Telecare User Engagement
- Butts Fields and Maes Dyfan Open Space Improvements
- Future Uses for Belle Vue Pavilion

Internal projects included:

- Staff Survey 2018
- The Future of Council Services – Budget Consultation
- Whistleblowing Policy
- Armed Forces Covenant
- Employee Awards 2019 Nominations and Voting

**Principle B –
Ensuring
openness and
comprehensive
stakeholder
engagement**

Unless confidential, decisions made by the Council and/or Cabinet are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

A range of methods are used to gather Vale residents' views. These range from traditional methods such as quantitative surveys and focus groups to engagement events involving the use of participative methods of interactive workshops. A new Public Engagement Database has been developed and implemented which further enhances the current arrangements already in place.

Effective stakeholder engagement can be reinforced by the following:

- Public Opinion Survey carried out between January and February 2019. Overall satisfaction with Council services has reduced slightly from 92% to 87%. 98% of residents were either very satisfied or satisfied with the Vale of Glamorgan as a place to live. However, public understanding of the financial context in which the Council is working (e.g. budget) was found to be relatively limited. When prompted with detail about the extent of the budget cuts (£14 million of savings in 2019/20), only 14% were fully aware of the extent of the savings required. This remains an area for improvement for the Council.
- Findings from the Council's budget consultation for 2019/20 demonstrate positive support from residents for the Council's priorities and Corporate Plan Well-being Outcomes and Objectives. Residents are supportive of increasing Council Tax to the Welsh average, introducing charges for services that are currently free and developing new services that would generate income.

**Principle B –
Ensuring
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engagement**

The 2018 Employee Survey was the third engagement exercise to evaluate the effectiveness of the Council's Staff Charter. For this survey, the approach changed to include questions that look at how different aspects of engagement are working locally as well as council-wide. Therefore for the first time service area engagement plans to address any local issues can be put in place as well, as continuing the work across the Council.

The survey was sent to approximately 2,400 employees with a return rate of 57% - the same as the previous year. The results of the survey illustrated an engagement index of 71%. When compared to other public sector organisations this puts the Vale relatively high on the chart. The survey results were considered by Cabinet in February 2019 and communicated to all staff as part of the Big Conversation sessions in March.

**Principle C –
Defining
outcomes in
terms of
sustainable
economic, social,
and
environmental
benefits.**

“Strong Communities with a Bright Future” is the vision for the Vale of Glamorgan and the Corporate Plan 2016-20 sets out how the Council will work towards the delivery of this vision and the promotion of well-being. The Plan sets out the activities to be undertaken to ensure the best possible outlook for Vale citizens and communities. In delivering this vision, the Council is mindful of the short, medium and long term challenges and the need to work with partners and the local community. In developing the Council’s Corporate Plan for 2016-20, consideration was given to the achievements from the previous plan, local needs and available resources and has incorporated the views of residents, partners and staff to inform the Council’s key priorities going forward. The Council is keen to embrace the Well-being of Future Generations (Wales) Act 2015 (WFGA) and did so ahead of the statutory timetable. The Corporate Plan has a more outcome focused approach and is based on four Well-being Outcomes with eight associated Well-being Objectives that are aligned to the well-being goals of the WFGA. These Well-being Outcomes are:

- An Inclusive and Safe Vale;
- An Environmentally Responsible and Prosperous Vale;
- An Aspirational and Culturally Vibrant Vale, and
- An Active and Healthy Vale.

An integrated model of working has been introduced to look at all aspects of corporate governance and planning arrangements to ensure that they are inter-related, complementary, consistent and no longer undertaken in isolation. This ensures that the Council’s integrated processes and policies become an enabling force for the delivery of the Corporate Plan’s vision and the Well-being Outcomes.

Having reviewed the Council’s progress made to date in relation to the Corporate Plan Well-being Outcomes and corresponding Objectives, the Council is assured that the priorities set continue to be relevant priorities going forward into 2019/20. Work started in 2018/19 to review the priorities in the Corporate Plan which will be refreshed for the period 2020/2025.

The Corporate Plan is underpinned by a set of enabling strategies (these are the Asset Management Plan, Medium Term Financial Plan, Human Resources Strategy, Workforce Plan, ICT Strategy, Customer Relations Strategy, Performance Management Framework and Risk Management Strategy and Register) which together form the Council’s overall policy framework supporting improvement.

**Principle C –
Defining
outcomes in
terms of
sustainable
economic, social,
and
environmental
benefits.**

One of the most significant documents produced by the Council demonstrating effective accountability and transparency is the Annual Self-Assessment. During the latter part of 2018/19, the Council has once again undertaken a Self-Assessment process and this is documented in the Annual Report 2017/18 which was published in October 2018.

The Self-Assessment presents a position statement on the Council's performance over the past year in delivering the Council's priorities. Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years. The challenges and achievements from the Annual Report are used to identify the actions required to be undertaken in future years and progressed through the service plans. The "forward-looking" element of this is documented in the 2019/20 Well-being Objectives and Improvement Plan Part 1 which (along with service plans and associated targets) was published in April 2019.

The Insight Board was created to enhance and streamline the corporate governance arrangements relating to integrated planning activities and reports to CMT and Cabinet. This focused approach is contributing to more integrated business planning practices, staff development opportunities, continued promotion of "One Council" working and has significantly reduced the overall amount of officer time spent in meetings. On its establishment, it was agreed that a review would be undertaken of all previous regulatory recommendations/proposals for improvement with any outstanding being incorporated within the Insight Board Action Tracker to ensure ongoing review and monitoring and this has proved successful. With corporate improvement and performance a key aspect of the remit of the Board, monthly reviews and monitoring of corporate improvement priorities are undertaken to ensure actions are completed, reported and closed down in a timely manner. An annual review of regulatory recommendations / proposals for improvement also form part of the Council's Annual Self-assessment process enabling the Council the ability to demonstrate progress on implementation of these in line with the Council's duties under the Local Government (Wales) Measure 2009 and Audit Committee receives a six months progress report.

**Principle C –
Defining
outcomes in
terms of
sustainable
economic, social,
and
environmental
benefits.**

The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets. Going forward, the financial challenges facing the Council remain significant and it is becoming increasingly challenging to deliver a balanced budget given the need to continue to make efficiencies and budget savings at a time when service demand across most Council services is increasing. Annual cuts to the Council's funding are set to continue and the current estimates indicate that further savings of £13.894 million (excluding schools) is required between 2020/20 and 2021/22.

**Principle D –
Determining the
interventions
necessary to
optimise the
achievement of
the intended
outcomes**

The Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. The Council must have robust decision making mechanisms in place to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. The Council recognises that informed decision making is a fundamental part of good governance. Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options. In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan. One of the Council's key strengths is its ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working to enable it to maximise benefits for its customers and residents.

**Principle D –
Determining the
interventions
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outcomes**

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council is committed to ensuring that the relevance of the Well-being Objectives in the Corporate Plan continue to reflect the priorities for the Vale of Glamorgan. The Council will also ensure that its Well-being Outcomes and Objectives in the Corporate Plan are aligned to the Public Service Board's Wellbeing Objectives.

The Council undertakes annual Service Planning through which regular self-assessment takes place as a means of achieving continuous improvement across both corporate and service related functions. This informs and is informed by the Corporate Plan, the Council's Improvement Plan as well as a Performance Audit Programme which is produced in conjunction with the Council's external regulators.

The Council's vision and priorities are reflected in Service Plans and inform the development of service objectives and outcomes. Service Plans include detailed actions and performance targets which contribute towards the achievement of Council priorities. Scrutiny Committees review the Service Plans on a quarterly basis, including the achievement of set targets and actions. A key factor in the development of the Service Planning process is the incorporation of changes in the Workforce Plan and Human Resources Strategy, together with a focus on outcomes.

**Principle E –
Developing the
entity’s capacity,
including the
capability of its
leadership and
the individuals
within it.**

The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery. All new members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council. There is a Member Development Strategy, which provides a framework for supporting elected members in the numerous roles that they are required to undertake both within, and outside, the Council.

The Corporate Management structure consists of the Managing Director, three Corporate Directors, the Council’s Monitoring Officer, the Council’s Section 151 Officer, the Head of Human Resources and the Head of Performance and Development. The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council’s Constitution. Chief Officer Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process.

The Elected Member development programme includes the comprehensive induction programme which is periodically supplemented by additional training. Members appointed to certain committees have also received specific training related to their responsibilities on these committees e.g. licensing, planning, audit.

The Managing Director is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information / support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors. Members are offered training on key issues as the need arises. In December 2018, the first Member Development Expo was held to which all 47 members were invited. The Expo events will be run on a six-monthly basis with members having a choice to attend either one daytime session or one early evening session. At the first event in December the agenda included the following :

- An update on the key issues facing the authority;
- The opportunity to hear more about the services provided by each Directorate from senior managers within the Directorates ; and
- The opportunity to feed into and influence the development of a competency framework for elected members.

**Principle E –
Developing the
entity’s capacity,
including the
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the individuals
within it.**

Through the established workforce planning and staff engagement processes, the Council continues to maintain a highly skilled and resilient workforce that is responsive to the constantly changing environment. The Council has continued to make good progress in delivering the 15 commitments within the Staff Charter, which details the expectations of staff and managers in a “reshaped” working environment. During 2018/2019 the work in this area had been enhanced. The Big Conversation 2 took place in February / March 2019 which was attended by over 1,500 staff. The sessions enabled staff to engage in the plans the Council has to move forward and to hear about the revised framework for staff engagement.

One of the Council’s key strengths has been the ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working. In addition, Cabinet receives a quarterly report providing an update on progress being made with strategic collaborative working initiatives. The Council continues to work proactively with a range of partners to transform how services will be delivered as well as considering new and innovative models of delivery in line with the Council’s Reshaping agenda.

The Council has developed and implemented a protocol for managing information and the interface between Cabinet and Scrutiny.

As part of the review of the Council’s Performance Management Framework, the structure of Scrutiny Committees was refined to enable the Council to better evaluate outcomes being achieved in the context of the new Corporate Plan, and the expectations of the Wellbeing of Future Generations (Wales) Act 2015.

**Principle F –
Managing risks
and performance
through robust
internal control
and strong public
financial
management.**

The Council, which has overall responsibility for directing and controlling the organisation, has approved an Executive / Scrutiny model of decision making. Full Council sets the policy and budget framework. Within this framework, the majority of key decisions are made by the Cabinet (as Executive). Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act). The decision-making process is scrutinised by five Scrutiny Committees, which not only support the work of the Cabinet as Executive and the Council as a whole but also the Committees have been restructured so their remits reflect the Corporate Plan Well-being Outcomes with one committee (Corporate Performance and Resources) covering Corporate Health and integrated planning.

Risk management is an important feature of the Council's governance arrangements and it is recognised that successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council. The Risk Management Strategy sets out the approach to the identification of and responses to strategic and operational risks. The Council's Risk Management Strategy also provides essential input to the determination of Council priorities, targets and objectives. The updated Risk Management Strategy was presented to the Council's Audit Committee on 1st May 2018.

The Council has an established risk management process in place for corporate and service risks. This has been further enhanced by the Council's focused corporate approach to integrated planning via the Insight Board and revised corporate performance reporting arrangements. During the year, the Council has continued to hone the approach to corporate risk management using the new reporting format which reflects the different needs of the various audiences. This provides a holistic overview of all risks to enable the identification of any trends or themes within the risks impacting on the Council, as well as the robust management of individual risks by risk owners, the Insight Board and Audit Committee. The monitoring of service risks has been enhanced this year through our service planning arrangements that enables us to effectively identify and monitor actions to reduce, eliminate and manage our service risks.

**Principle F –
Managing risks
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management.**

The Council is making good progress in developing its performance management arrangements, following the adoption of the new four year Corporate Plan in 2016/17. During the year, work commenced to develop a new Corporate Plan to cover the 2020-2025 period. Alongside these changes, the Council has continued to work with Sponsoring Directors and Elected Members via a member led working group to develop the performance reports and these are enabling the Council to better assess the overall contribution of each of the Corporate Well-being Outcomes aligned to the national Well-being Goals. Reports are presented in a more focused and accessible way and highlight areas of exception thus promoting more effective scrutiny. However, the Council also recognises that there is a need to further embed these arrangements in some service areas and are taking a partnering approach in order to ensure success.

The Head of Finance / Section 151 Officer is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to Cabinet and the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial / contract procedure rules and notes, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation of accountability.

The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. Through the Council's focus on integrated planning it has been able to take a more holistic approach to corporate planning arrangements that include risk management, financial and asset management, workforce planning, performance management and information management. As a consequence, corporate arrangements are now better co-ordinated and complementary to each other which puts the Council in a stronger position to secure continuous improvement. The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. The Council's Medium Term Financial Plan clearly links to the priorities outlined in the Corporate Plan to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.

The Council has a proactive, holistic approach to tackling fraud, bribery, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A new policy has been agreed during 2018/2019.

**Principle G –
Implementing
good practices in
transparency,
reporting, and
audit, to deliver
effective
accountability**

The Council remains committed to implementing good practices in transparency, reporting and audit to deliver effective accountability. This is demonstrated by:

- Mechanisms which are in place for reporting progress against key regulatory recommendations / improvement proposals via the Audit Committee, all Scrutiny committees and Cabinet.
- All Committees have clear Terms of Reference and work programme;
- Procedures are in place for sign-off of Cabinet Reports ensuring legal and financial implications have been appropriately assessed and are consistent with corporate policy.

One of the most significant documents produced by the Council demonstrating effective accountability and transparency is the Annual Self-Assessment. During the latter part of 2018/19, the Council undertook another a Self-Assessment process and this is documented in the Annual Report 2017/18 which was published in October 2018. It presents a position statement on the Council's performance over the past year in delivering the Council's priorities in relation to the Corporate Plan. The challenges and achievements from the Annual Report are used to identify the actions required to be undertaken in future years and progressed through the service plans. The "forward-looking" element of this is documented in the 2019/20 Well-being Objectives and Improvement Plan Part 1 which (along with service plans and associated targets) was published in April 2019 and has been used extensively to inform this Annual Governance Statement.

The Council reports at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.

The Council's Internal Audit Section undertakes an annual review of the governance framework and this feeds into the Annual Governance Statement and the Head of Audit's annual opinion. The Head of Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit Section, which, during 2018/2019, is part of a formal shared service with Bridgend County Borough Council under a partnership agreement with the Vale of Glamorgan Council as the Host Authority and in conformance with the Public Sector Internal Audit Standards. Due to resource issues during 2018/19 it has been necessary for the shared service to commission additional support from an external provider in order to contribute in part to the delivery of the Council's annual risk based audit plan.

**Principle G –
Implementing
good practices in
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effective
accountability**

In accordance with the Public Sector Internal Audit Standards, the Shared Service was externally assessed in January 2017 which is within the required five year period. The assessment was undertaken by an external assessor, rather than by peer review, with the assessor concluding that **“I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added.** A number of recommendations were made along with a number of suggestions for improvement. The outcome of the assessment has been reported to both Councils Audit Committees and all the recommendations have been implemented. Update reports have been presented to both Audit Committees during 2018/19.

The Council responds to the findings and recommendations of Internal Audit, External Audit and other inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness is informed by:

- ✓ The Annual Internal Audit Assurance opinion, as provided by the Bridgend and Vale Internal Audit Shared Service
- ✓ The Audit Committee provides the focus for reviewing the effectiveness of the system of internal control.
- ✓ The Cabinet (as Executive) is responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for the decisions and for initiating corrective action in relation to risk and internal control issues.
- ✓ The Scrutiny function which holds the Cabinet to account.

The Council's Senior Managers, together with Head Teachers and Chairs of Governors have completed assurance statements for each of their areas of control, acknowledging responsibility for risk management and internal control, and identifying any significant governance issues if appropriate.

The Council's Monitoring Officer has a legal responsibility to look into matter of potential unlawfulness within the Council.

The Standards Committee has monitored standards of conduct

In 2018/2019 the Council received 424 complaints, 56% were dealt with within corporate target timescales. The number of complaints being resolved at Stage 1 was 92.9% and 7.1% at Stage 2.

The Performance Framework has operated effectively during the year. Monitoring of key areas of performance has been regularly provided to Cabinet.

Review of Effectiveness

In relation to Corporate Health, the Council continues to perform well in the context of supporting Council services in the delivery of the Corporate Plan Well-being Outcomes. The improved approach to Integrated Planning, via the fully established Insight Board, is enabling services to effectively deliver transformational change in line with the Reshaping Services agenda and the Council's duties under the Well-being of Future Generations Act. Integrated Planning enables the Council to take a more holistic approach to their corporate planning arrangements that include risk management, financial management, workforce planning, performance management and information management. The Council has developed a robust approach to collaborative working, has a successful track record of delivering a balance budget and generally performing well in performance indicators across all service areas.

During the latter part of 2017/18 an Annual Self-Assessment of the Council's performance over the past year in delivering the Council's priorities relating to the Corporate Plan was undertaken as part of the Annual Report 2017/18. Similar to last year, the Self-Assessment process is supported by individual service-based self-assessments/profiles covering all Council services. This Annual Report is a fundamental document and a key source of information supporting this Annual Governance Statement

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. The Council introduced a five year strategy for transformational change called "Reshaping Services". Through effective management of the Council's Reshaping Services Programme, transformational change is being delivered in line with the Council's corporate Well-being outcomes and duties under the WCFG Act. In the recent budget and public opinion surveys, 87% of a representative sample of Vale residents stated that they were satisfied with Council services. 86% of the savings associated with the programme were achieved during 2017/18. As at quarter 3 of 2018/19, reshaping projects were forecasting to deliver a saving of £5.574m against the year's target of £6.389m (89%). A green performance status was reported to the Reshaping Programme Board in April 2019 for programme management, organisational development and communications and engagement.

Review of Effectiveness

Insight Board
considers corporate priorities outlined in the Corporate Plan including:
Financial Planning;
Workforce planning,
Partnership & collaborations;
Communication;
Risk and Asset Management, and Governance.

Working Groups / Projects
Staff Engagement Forum;
Information Governance Group;
Space Project;
Income Generation;
Digital Champions Programme;
Housing Forums;

Governance
The Code of Corporate Governance has been updated to reflect the Delivering Good Governance in Local Government Framework 2016.

Key Developments
Implementation of the Management Competency Framework;
Revised staff appraisal #itsaboutme;
New report formats designed to make it easier to assess overall progress in each Well-being objective.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Council Tax, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues within the Internal Audit Shared Service, audit work was also commissioned from the South West Audit Partnership (SWAP) who undertook a number of specific review, primarily within Social Services.

Review of Effectiveness

The Council's External Auditors have advised that their work for the 2018/19 Financial Year is well on track and that they have completed the majority of their planning work and interim testing. This includes:

- A high level assurance of the financial systems and the wider control environment – this work is designed to detect any material risk to the accounts;
- Testing of the income and expenditure transactions made by the Council during 2018/19.

Whilst their work is continuing, to-date, there are no significant issues arising from their work.

In addition, the Managing Director, each of the Corporate Directors, the Monitoring Officer and the Council's Section 151 Officer have completed an Annual Assurance Statement for 2018/19, as have Head Teachers and Chairs of Governors. All their responses have been taken into account when forming the Head of Audit's annual opinion. Furthermore, the detailed Council's Annual Self-Assessment dated March 2019 has been a key reference document to support the assurance statement.

In January 2017, as required by the Public Sector Internal Audit Standards, an external assessment was undertaken on the Bridgend and Vale Internal Audit Shared Service. The outcome of which was positive with the results reported to both Councils and their Corporate Management. All recommendations for improvement have been implemented.

Code of Corporate Governance (COCG)

The Council's COCG has been reviewed, amended and approved to reflect the 2016 Governance Framework.

Statement of Accounts 2017/18

In September 2018, the Council's External Auditor (WAO) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection Letter.

AGS 2017/18

In the 2017/18 Annual Governance Statement a significant amount of work was undertaken by Internal Audit during 2017/18 to address the significant governance issue identified in 2015/16. This governance issue has now been addressed.

Based on the assurance, work undertaken by Internal Audit, the Operational Manager – Audit as the Head of Audit has provided an overall reasonable assurance opinion on the adequacy and effectiveness of the Council's control environment.

**Review
Effectiveness** of

The Head of Audit's annual opinion report was present to the Council's Audit Committee on 30th April 2019. The Head of Audit provided an overall opinion of reasonable assurance on the Council's control environment this has been based on the work undertaken during the year by Internal Audit supported by the external provider (South West Audit Partnership), the responses to the Annual Assurance Statements completed by Corporate Management Team for 2018/19, the Annual Assurance Statements completed by Head Teachers and Chairs of Governors and the detail as contained within the Council's Annual Self-Assessment. Whilst it is recognised that the number of days planned for were not all delivered it did not prevent the Head of Audit from providing an overall opinion.

Of the opinions given by Internal Audit during 2018/19, 86% were closed with either a substantial or reasonable assurance level, and 14% were given an opinion of limited assurance due to weaknesses in the internal control environment. The areas where control issues were identified during the year have tended to relate to specific service areas rather than an across the board breakdown in controls. The relevant managers have agreed with and are working toward implementing the recommendations made to address the weaknesses identified and where appropriate have been included in the Council's Corporate Risk Register. Internal Audit will follow up on these issues during 2019-20 to ensure that significant progress is being made.

**Significant
Governance
Issues**

One of the main issues raised and highlighted over the last few years has been the ability of the Council to carry on meeting its service objectives and delivering positive outcomes for its customers and clients in the light of continued reductions in Welsh Government Funding. The Council recognises that it is facing unprecedented challenges with continuing year on year reductions in Council funding and the impact this has on the services delivered. At the same time the Council is dealing with increasing expectations and demands on services. The Council has already identified approaching £55 million in savings since 2010 yet, the challenges continue. With diminishing funding impacting on how the Council delivers its services, embarking on an ambitious programme of transformational change makes planning for the future difficult.

The Council addressed this by undertaking regular Budget reviews and putting in place a financial strategy for the Council which presently runs until 2020/21. The purpose of this is to ensure:

- A sustainable budget is achieved within predicted funding levels;
- The budget is aligned to the Council's priorities as set out in the Corporate Plan;
- Best value for money is being obtained, i.e. identifying efficiency savings, opportunities for income generation and better use of external grants; and
- Collaborative initiatives and options for alternative service delivery are considered.

Separate financial strategies have been established for funding education and schools, social services and other services having regard to the relative risks and priorities of each. In total over the next 2 years to 2020-21 savings of **£14m** minimum will need to be achieved. In accordance with the financial strategies agreed, savings targets together with areas for savings have been identified. In addition, the Council continues its Reshaping Services programme in order to fundamentally review the need for and methods of service delivery across all Council services.

The impact of delivering the further programme of savings will be substantial, impacting on all areas of the business and is predicated on a range of reasonable but ambitious assumptions. There has been extensive planning and ongoing consultation on the budget proposals and efficiency targets have been set out in directorate plans and encompassed within the Council's Reshaping Services programme. Whilst the Council is well placed to respond to this challenge, and the Section 151 Officer is of the opinion that the savings whilst extremely challenging are achievable, the scale and pace of required change continues to remain a fundamental risk.

**Significant
Governance
Issues**

A significant issue for the Internal Audit Service has been the continuing lack of resources and the impact this has had on delivering the 2018/2019 risk based audit plan. With the support of South West Audit Partnership this shortfall was addressed.

The new Regional Service was established in April 2019 and this will start to address the short comings, although the level of vacancies has been carried into the new service therefore some latitude will be required during 2019/2020 to facilitate this transitional period.

During the year a number of reviews were completed in social service. This was the first time that audit had undertaken work within the service and a number of concerns were raised. In particular these related to the new client management system, the process for recording and dealing with complaints and the process for recording and managing financial commitments relating to community care commitments. The findings of these reports have been shared and discussed with management with social services and plans are in place to address the reported shortcomings these will be the subject of further audit work in 2019/2020.

The Council underwent a period of political change at the end of 2018/2019 which resulted in a change in overall administration. A new Leader and Cabinet was put in place at the AGM on 20th May 2019 and the first meeting of the new Cabinet will take place on 17th June.

Notwithstanding the above issues, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of service delivery there is a need to ensure that the Council's control environment remains robust, proportionate and as efficient and effective as possible.

**Approval of the
Annual
Governance
Statement
2018-19**

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people’s needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.

From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work of Internal Audit, we have reached the opinion that, overall key stems are operating soundly and that there are no fundamental control weaknesses.

We can confirm to the best of our knowledge and belief, and there having been appropriate enquiries made, and this statement provides an accurate and fair view.

D.R. Thomas
Managing Director
Date:

N. Moore
Leader of the Council
Date: