

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

Date: 11.10.2022

REPORT AUTHOR: County Councillor James Gibson-Watt, Leader and Portfolio Holder for an Open and Transparent Powys

REPORT TITLE: Annual Governance Statement assurance

REPORT FOR: Decision

1. Purpose

- 1.1. The purpose of this report is to present the Annual Governance Statement (AGS) for consideration by Cabinet.
- 1.2. To form the basis on which Cabinet is able to provide an opinion as to its level of assurance that the Council's arrangements adequately reflect the principles of good governance as set out in the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3. To obtain Cabinet's approval that the AGS represents an accurate record of the Authority's governance arrangements over the 2021/22 financial period.

2. Background

2.1 The Authority is required to produce an Annual Governance Statement each year alongside its statement of accounts, in fulfilment of its obligations under the Accounts and Audit (Wales) Regulations 2014.

2.2 The AGS provides an account of the processes, systems and records that the council has in place in order to demonstrate the effectiveness of its governance arrangements during the financial period covering 2021/22. It is structured around the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016 Edition). The CIPFA principles are:

- Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B: Ensuring openness and comprehensive stakeholder engagement
- Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes
- Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Principle F: Managing risks and performance through robust internal control and strong public financial management
- Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.3 A level of assurance should be provided against each of the CIPFA principles to indicate the extent to which the Authority judges itself to have performed against that tenet. In addition, an overall assurance level should be provided to indicate the Authority's level of assurance, based on the evidence provided in the report, regarding the effectiveness of its governance arrangements over the previous financial period.

The rubric for assurance levels

Level	Description
Substantial	We are able to offer substantial assurance that the Council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Processes are in place and operating effectively and risks to effective governance are well managed.
Reasonable	We are able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Generally, risks are well managed, but some processes could be improved.
Partial	We are able to offer partial assurance that the Council's arrangements adequately reflect the principles of good governance. Some key risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.
None	We are not able to offer any assurance. The Council's arrangements were found to be inadequately controlled. Risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.

2.4 Modifications have been made to the Authority's AGS approach during the past year in order to increase assurance levels and improve clarity:

- In order to increase assurance levels, additional use has been made of the sub-principles that underpin the seven primary CIPFA principles. These sub-divisions provide an increased degree of guidance and their use ensures that every required aspect of the primary principle has been considered.
- So as to adhere to the guidance (that the AGS avoid being predominantly descriptive in character) more closely, the committees, processes and policies that form the Authority's governance framework have been removed into Appendix A of the document for ease of reference. Where a principle may appear to have little evidence under it, this may simply reflect that no improvement or additional work has been necessary during the preceding

financial year. Assuming that the governance framework indicates that appropriate governance processes are in place, this does not indicate that the Authority is failing to fulfil its obligations under that principle.

3. **Advice**

3.1 That Cabinet and EMT satisfies itself that the above criteria have been fulfilled by the Annual Governance Statement as presented.

3.2 That Cabinet and EMT reach consensus regarding the level of assurance provided by the evidence for each CIPFA principle, and by the Authority's governance arrangements overall during 2021/22.

3.3 The **suggested** levels of assurance for the individual CIPFA principles (with some supporting criteria) are as follows:

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

- The planned actions for 2021/22 were completed.
- 3 complaints by the public against Elected Members have been referred to the Ombudsman indicating a process that is working effectively without fear or favour
- The Governance and Audit Committee review and the widening of its remit has addressed a number of significant recommendations
- The self-assessment undertaken by the Governance and Audit Committee and the Scrutiny Committees has evidenced significant areas of improvement and identified further areas for focus.
- Significant and extensive work has been undertaken to strengthen the Authority's approach to combatting fraud.

Principle B: Ensuring openness and comprehensive stakeholder engagement - **Substantial**

- Public consultation and engagement has been strengthened and has been usefully employed in many areas but is not yet evidenced as being fully consistent or joined-up across the organisation. The degree of engagement is variable across services and committees.
- Employment of Communication HQ has widened access for public consultation.
- There has been a delay in the publication of the anticipated Public Participation Strategy.
- The Authority provides a good degree of public access via the webcasting of committee meetings etc. although there is, in many cases, little evidence of significant take-up of the offer.
- There are a range of citizen forums in place, providing opportunities for service user consultation and co-production.

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

- The planned actions for 2021/22 have been completed.
- There is evidence of strong internal process for defining outcomes. Although there will always be potential for improvement, the current arrangements are appropriate and effective.
- The Financial Management Code Review was completed during 2021/22.
- A recent Audit Wales review indicated that Powys has made significant progress with regards to improving its financial resilience and sustainability.
- There is good evidence of clear, robust strategies and regular review.

Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes – **Substantial**

- The planned actions for 2021/22 are either completed or progressing.
- Appropriate processes are in place as detailed in the Performance Management and Quality Assurance Framework (PMQAF).
- Audit report recommendations have resulted in the implementation of an action plan.
- Changes have been made to Scrutiny work programming and other critical areas of the process following audit recommendations.
- Following self-assessment, additional areas have been identified for further development, evidencing a rigorously self-reflective approach to improvement across the committees.
- Scrutiny has been able to offer constructive challenge although greater clarity is required regarding the power of some Committees to affect decision-making.
- Evidence indicates that effective challenge was offered during the year regarding the affordability of the capital programme, leading to further, more detailed work.
- The Council's Medium Term Financial Strategy has been developed for 2022/23.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it - **Substantial**

- The planned actions for 2021/22 are not on track but there is evidence of considerable development work having been undertaken overall.
- Following review by the Governance and Audit Committee, concerns regarding the strength of project safeguards and approval gateways have started to be addressed with further actions planned.
- Work has commenced on developing an electronic appraisal process which will providing robust performance reviews and identify CPD needs of the workforce and areas for improvement.
- A Leadership Behaviours Competency Framework has been developed, based on a compassionate and inclusive leadership style and Line Manager forums have been established to support staff, in particular with regards to managing remotely and implementing the New Ways of Working protocols.

- Training Needs analysis has been completed by each service area to ensure that the skills needs of the workforce are identified and a suite of learning and development opportunities has been identified for SLT

Principle F: Managing risks and performance through robust internal control and strong public financial management - **Substantial**

- The planned actions for 2021/22 are mostly completed with the remainder on track.
- Procedures to monitor, control and mitigate risk are in place and work to further improve these is underway.
- A Risk Management Framework has been developed with completion expected by the end of the year.
- An Information Governance Framework Improvement Plan developed in 2021 is currently awaiting approval (estimated publication date October 2022).
- The ICO recommendations are now being added to the Regulatory Tracker. During 2021/22, there were 11 (4% of total information security incidents) personal data breaches reported to the ICO.
- A Digital records management Audit took place in 2021 which provided a reasonable level of assurance and following this an action plan/options paper has been developed for the Senior Information Risk Owner in Nov 2021.
- Due to increased pressures, there was insufficient Digital resource available over the past year to provide planned improvements for PCC by managing and supporting implementation and maintenance of Information Asset Registers. The development and implementation of a process of information risk identification and management has also been unavoidably delayed.
- The Audit Wales Report of July 2020 highlighted weaknesses identified in fraud risk controls within the authority, following which, significant work has been undertaken including mandatory fraud training for all officers and Members.
- Fraud risk has been included within the governance code.
- The Financial Management Code annual assessment has been established with a baseline score and action plan developed to meet the mandatory requirement.
- A number of new policies including Employer, Compliments/Complaints have been published by the Pension Fund this year to strengthen the Fund governance.
- There is significant evidence that the Authority responds to recommendations in a timely manner and undertaken regular self-review to drive improvements in processes.

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

- The planned actions for 2021/22 are on track.
- The Authority has appropriate processes in place to handle complaints and other channels of communication.
- GDPR compliance has increased.

- In 2021/22 all Council meetings were webcast and a new and improved webcast system was introduced, using Zoom and YouTube.
- 100% of Powys County Council's national strategic planning and performance monitoring statutory deliverables met the submission deadline.
- The restructured Finance Panel is anticipated to become more proactive and influential in order to improve the strategic financial scrutiny of the Council. In addition, the Governance and Audit Committee is moving away from considering transactional work to focussing on assurance work and there is therefore evidence that the internal processes to deliver accountability are being significantly strengthened.
- There was some disruption during the year to the internal audit work programme as a result of capacity issues on the client side and this resulted in draft reports being delayed for consideration by the Committee.
- Detailed consideration of the Y Gaer and Ysgol Calon Cymru internal audit reports have led to improved processes being put in place and better outcomes can be expected in the longer term which indicates the effective use of internal challenge within the organisation.

3.4 The **suggested** level of assurance for the Authority's governance arrangements overall during 2021/22 is that of '**reasonable**' for the following reasons:

- The governance framework evidences that the Authority has in place robust policies and processes to support rigorous and effective governance.
- The majority (18/22) of the planned actions listed in the 2020/21 AGS have been completed or are rated as being on schedule. Only 2 actions are rated as red, with these attributable to COVID-19 workforce disruption.
- There is clear evidence that significant changes and improvements have been made in response to regulatory and audit recommendations across all areas.
- There is good evidence of a rolling programme of review for policies and procedures.
- There is good evidence of safeguards and accountability at all levels of governance and authority.

3.5 Governance and Audit Committee approves the Annual Governance Statement for publication alongside the statement of accounts, proposed date 30 September 2022 but no later than 30 November 2022.

3.6 A summary of the Council's assurance levels versus previous years can be found in Appendix 1.

4. Resource Implications

4.1 The Annual Governance Statement has been undertaken within existing resources, based upon a range of mechanisms including the Council's current Integrated Business Plans, Corporate Improvement Plan and Medium-Term Financial Strategy.

Any actions identified for delivery are to be considered by the organisation, and to be embedded within Service's Integrated Business Plans as part of the Council's strategic planning cycle. Where resources are needed to support future actions, they will be identified as a pressure within the Councils Finance Resource Model.

5. Legal implications

5.1

6. Data Protection

6.1 Not applicable

7. Comment from local member(s)

7.1 The report impacts with equal force across the whole County, and therefore comments have not been sought from individual Members.

8. Impact Assessment

3.6 An Impact Assessment (IA) is not required for this report as the report does not include any formal proposals or policy changes.

3.7 All actions within the report will be taken forward by responsible officers as part of the strategic planning process, which will have the relevant Impact Assessments as required as part of this process.

9. Recommendation

9.1 That Cabinet give consideration to the report presented here and satisfies itself that the following criteria have been met:

- That the Annual Governance Statement fulfils the Authority's obligations under the Accounts and Audit (Wales) Regulations 2014.
- That the adjustments in approach adopted in drafting the 2021/22 AGS are acceptable and support understanding of the matters reported therein.
- That the conclusions presented by the AGS are considered to be a fair and accurate evaluation of the Authority's fulfilment of its governance obligations during 2021/22.

9.2 That Cabinet provide their judgement as to the assurance levels that provide an accurate reflection of the Authority's attainment of each of the CIPFA principles.

9.3 That in addition, Cabinet provide their judgement as to the assurance level that most accurately reflects the Authority's overall fulfilment of its governance obligations during 2021/22.

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Appendix 1

Core Principle	2019-20	2020-21	2021-22
Core Principle A <i>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</i>	Substantial	Substantial	Substantial
Core Principle B <i>Ensuring openness and comprehensive stakeholder engagement</i>	Substantial	Substantial	Substantial
Core Principle C <i>Defining outcomes in terms of sustainable economic, social and environmental benefits</i>	Reasonable	Substantial	Substantial
Core Principle D <i>Determining the interventions necessary to optimise the achievement of the intended outcomes</i>	Reasonable	Substantial	Substantial
Core Principle E <i>Developing the entity's capacity, including the capability of its leadership and the individuals within it</i>	Reasonable	Substantial	Substantial
Core Principle F <i>Managing risks and performance through robust internal control and strong public financial management</i>	Reasonable	Reasonable	Substantial
Core Principle G <i>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</i>	Reasonable	Reasonable	Reasonable