

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023/24

DRAFT REPORT

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| <p>GOVERNANCE AND AUDIT COMMITTEE</p> <p>4th JULY 2023</p> | <p>AGENDA ITEM NO. 7</p> |
| <p>REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR: FINANCE, DIGITAL AND FRONTLINE SERVICES</p> | <p>DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23 AND UPDATED LOCAL CODE OF CORPORATE GOVERNANCE – RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL</p> |

Author: Paul Griffiths (Service Director – Finance & Improvement Services)

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide Members with the Council’s draft Annual Governance Statement for the 2022/23 financial year and updated Local Code of Corporate Governance.

2. RECOMMENDATIONS

In order for the Governance and Audit Committee to discharge the duties as outlined in Section B¹ of its Terms of Reference, it is recommended that Members:

- 2.1 Critically review the Annual Governance Statement (**Appendix 1**), suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2022/23 certified draft Statement of Accounts.
- 2.2 In the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are approved, authorise the Deputy

¹ Governance and Audit Committee Terms of Reference (Section B) - *To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit’s opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.*

Chief Executive and Group Director - Finance, Digital and Frontline Services to include reference within the Annual Governance Statement.

- 2.3 Review and, if appropriate, approve the updated Local Code of Corporate Governance (**Appendix 2**) and for its publication on the Council's website.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council's Annual Governance Statement is reviewed and approved for inclusion within the draft statement of accounts and that the Local Code of Corporate Governance continues to reflect the governance arrangements in place within the Council.

4. BACKGROUND

- 4.1 Section 3.7 of the 'CIPFA / LASAAC² Code of Practice on Local Authority Accounting in the United Kingdom' states:

'The Accounts and Audit (Wales) Regulations 2018 (regulation 5) requires 'an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within any published Statement of Accounts'.

The preparation and publication of an Annual Governance Statement in accordance with 'Delivering Good Governance in Local Government: Framework (2016)' would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review in its Statement of Accounts'.

Delivering Good Governance in Local Government: Framework 2016

- 4.2 The main principle underpinning the Framework is that local government is continuing to develop and shape its own approach to governance, taking account of the environment in which it operates. It intends to assist authorities in reviewing their own arrangements and to do this has defined Core Principles, Supporting Principles and Sub-Principles that should underpin governance arrangements.
- 4.3 The framework recommends that Annual Government Statements do not need to describe in detail the authority's governance arrangements but should provide a review of their effectiveness in supporting planned outcomes. As such the framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures.

² CIPFA / LASAAC – the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

- 4.4 In addition to the above, CIPFA has published Bulletin 06 – ‘Application of the Good Governance Framework 2020/21’, providing guidance on the CIPFA Financial Management Code 2019, which should form part of local authorities’ review of governance arrangements for the 2021/22 financial year onwards.
- 4.5 The Annual Government Statement should be signed by the leading Member and Chief Executive on behalf of the Authority, be approved at a meeting of the Authority and be included within the Statement of Accounts and Annual Report (either in full or summary form) of the Authority.

5. DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

- 5.1 The Council’s draft Annual Governance Statement 2022/23 is set out at Appendix 1 and has been compiled in accordance with ‘Delivering Good Governance in Local Government: Framework (2016)’ and the CIPFA Bulletin 06.
- 5.2 The compilation of the draft Annual Governance Statement has entailed reviewing the activities in place around the Council’s main governance arrangements as set out in the Local Code of Corporate Governance and associated key processes, engagement with senior officers across services in respect of these arrangements and taking account of the findings from a range of existing reports including external regulator reports. A summary of findings and proposals for improvement, as set out within the Executive Summary of the Annual Governance Statement (Section 5), is replicated in Table 1.

Table 1 – Executive Summary of Annual Governance Statement Findings and Proposals for Improvement

| Core / Supporting Principle | Overall Assessment Conclusion | Proposals for Improvement Set Out In The AGS |
|---|--|--|
| A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law | The Council has sound arrangements in operation, in line with its Constitution and other agreed arrangements, to promote and demonstrate high standards of behaviour of its elected Members and Officers, and to take action where instances of non-compliance are identified. | No |
| B - Ensuring openness and comprehensive stakeholder engagement | <p>The Council has clear channels to enable engagement with and from stakeholders, with arrangements being in line with the law and demonstrate a commitment to openness in the delivery of its activities.</p> <p>Further work is required to develop and finalise a Participation Strategy setting out how local people are encouraged to participate in decision-making by the Council.</p> | The Council should complete its work to finalise and agree its Participation Strategy and then take the necessary steps for this to be implemented. |
| C - Defining outcomes in terms of sustainable economic, social and environmental benefits. | <p>The Council has a robust Performance Management Framework in place that uses evidenced based assessments to determine outcomes, in line with Corporate Plan priorities and are aligned to the Cwm-Taf Well-Being Plan. In-year monitoring arrangements provide holistic overviews of the Council's performance.</p> <p>Further work is required to more clearly demonstrate impact within Self-assessment and performance reporting arrangements.</p> | The Council's latest Self-Assessment identified the need for continued improvement in arrangements to demonstrate the impact of its work and delivery of intended outcomes, noting the requirement for the Council to re-set its arrangements following the unprecedented impact of the Covid-19 pandemic. There is a need for the Council to build on the work to date to more clearly demonstrate impact and outcomes within its Self-Assessment and Performance Reporting arrangements and also incorporate service user information (this being an emerging finding from the Audit Wales review work undertaken in 2022/23). |
| D - Determining the interventions necessary to optimise the achievement of the intended outcomes | Appropriate decision-making arrangements were in place during the year to review and determine interventions needed to deliver Corporate and Service priorities. These were integrated with budget setting and medium-term financial planning arrangements and progress was subject to public scrutiny via the Council's overview and scrutiny arrangements. | No |

| Core / Supporting Principle | Overall Assessment Conclusion | Proposals for Improvement Set Out In The AGS |
|--|---|--|
| <p>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> | <p>The Council has well-embedded self-assessment arrangements that assess the organisation's capacity and capability to deliver council services, this being informed by a workforce strategy and underpinned by an established framework of decision-making in the form of Schemes of Delegation.</p> <p>Further work is required to review and update the Council's Contract and Financial Procedure Rules.</p> | <p>The Contract and Financial Procedure Rule documents were not reviewed during 2022/23 to consider any updates required and ensure they continue to be fit for purpose. Both documents therefore require review during 2023/24 and proposed updates signed-off, incorporated into the Council's Constitution and staff made aware of updates.</p> |
| <p>F - Managing risks and performance through robust internal control and strong public financial management</p> | <p>The Council is financial stable, supported by robust financial planning and management arrangements that underpin service delivery. A focus on strong internal controls and the management of risks, independently checked by Internal Audit and overseen by the Governance and Audit Committee, are key components of the overall arrangements.</p> <p>Further work is required to:</p> <ul style="list-style-type: none"> • Further strengthen risk management arrangements, as set out in the 2022/23 Internal Audit Report 'Corporate Risk Management'; and • Fully cost the Council's carbon reduction action plan and ensure alignment to the Medium Term Financial Plan, as recommended by Audit Wales in its Assurance and Risk Assessment Review. | <ul style="list-style-type: none"> • Internal Audit undertook an audit assignment on the Council's Corporate Risk Management arrangements in 2022/23, concluding reasonable assurance overall, and set out recommendations to further strengthen arrangements: updating the Risk Management Strategy to include officer roles and responsibilities; Strategic risks descriptions within the Strategic Risk Register are reviewed to ensure the impact on the Council is clear; and the need to progress the compilation and roll-out of a Risk Management e-learning training module for Council officers. • The Audit Wales Assurance and Risk Assessment Review recommended in respect of Carbon Reduction Plans – <i>'In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure it is aligned with its Medium Term Financial Plan'</i>. |
| <p>G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> | <p>The Council has open and transparent decision-making processes, with arrangements in place to hold decision-makers to account for service delivery and performance and the stewardship of public funds.</p> | <p>No</p> |

- 5.3 The overall conclusions from the 2022/23 review process, as set out in section 6.12 of the Annual Governance Statement' are '*Based on the review of effectiveness against the Local Code of Corporate Governance, the Council's governance arrangements provided the basis to effectively plan, allocate and manage resources to support the delivery of Corporate Plan priorities and wider service delivery, and was underpinned by sound decision making arrangements. A small number of proposals for improvement have been made to further strengthen existing processes*'.
- 5.4 As part of the review process, the Local Code of Corporate Governance was also reviewed and has been updated to reflect the current arrangements in place within the Council; the updated Code, with proposed updates 'tracked' for ease of reference, is set out at Appendix 2.
- 5.5 Between the date of this Governance and Audit Committee meeting and the date the 2022/23 Statement of Accounts are approved, should any (relevant) reports be provided to the Council from its External Regulators, Members are requested to provide the Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services with authority to include reference to such reports within the Annual Governance Statement. In the event that any reports identify significant governance issues then these will be considered at a Special Meeting of the Governance and Audit Committee where the implications on the overall conclusion can be debated.

6. EQUALITY AND DIVERSITY AND SOCIO-ECONOMIC DUTY IMPLICATIONS

- 6.1. There are no equality and diversity implications or socio-economic duty implications as a result of the recommendations set out in the report.

7. CONSULTATION

- 7.1 There are no consultation implications as a result of the recommendations set out in the report.

8. FINANCIAL IMPLICATION(S)

- 8.1 There are no financial implications as a result of the recommendations set out in the report.

9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 9.1 The Accounts and Audit (Wales) Regulations 2018 (regulation 5) requires an Authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review (i.e.

an Annual Governance Statement) within any published Statement of Accounts.

10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 Delivery of all of the Council's priorities is underpinned by strong and robust governance arrangements.

WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

11. CONCLUSIONS

- 11.1 It is a legal requirement for the Council to conduct a review of its system of internal control at least once a year and report the outcome of that review in the form of an Annual Governance Statement. Once approved, the Annual Governance Statement is included within the Council's Statement of Accounts.
- 11.2 The Draft Annual Governance Statement for 2022/23 has been produced in accordance with the requirements contained within the 'Delivering Good Governance in Local Government: Framework (2016)' and the CIPFA Financial Management Code 2019, and is set out in Appendix 1 for consideration by the Governance and Audit Committee and the overall conclusion from the review process included at paragraph 5.3 of this report.
- 11.3 The review process also identified updates for inclusion within the Local Code of Corporate Governance to reflect the current arrangements in place within the Council, with an updated Code set out at Appendix 2.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Paul Griffiths

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

4th JULY 2023

**DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23 AND UPDATED LOCAL
CODE OF CORPORATE GOVERNANCE – RHONDDA CYNON TAF COUNTY
BOROUGH COUNCIL**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR:
FINANCE, DIGITAL AND FRONTLINE SERVICES**

Author: Paul Griffiths (Service Director – Finance & Improvement Services)

Item:

**7 - DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23 AND UPDATED
LOCAL CODE OF CORPORATE GOVERNANCE – RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL**

Background Papers

None.

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