



**MERTHYR TYDFIL**  
County Borough Council

Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**

# **DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

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*May 2018*

## **MERTHYR TYDFIL COUNTY BOROUGH COUNCIL**

### **DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

#### **1. SCOPE OF RESPONSIBILITY**

Merthyr Tydfil County Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Wellbeing of Future Generations (Wales) Act 2015 requires the Council to set and publish wellbeing objectives and to identify how it will work towards meeting those objectives using the sustainable development principle. Public bodies in Wales must work in a sustainable way to achieve the common vision to improve the economic, social, cultural and environmental wellbeing of Wales. Therefore, we need to make sure that when we make decisions, we take into account the impact they could have on the people living their lives in Merthyr Tydfil now and in the future.

Public bodies covered by the Act, including Local Government are required to consider the longer term in making their decisions and to work collaboratively with other public bodies to improve wellbeing in Wales. The Act places a wellbeing duty to set wellbeing objectives that maximise their contribution to achieving wellbeing goals. Public bodies' first wellbeing objectives were set and published by 31<sup>st</sup> March 2017. Public bodies are required to report annually on their progress towards meeting their wellbeing objectives.

The Act also establishes public service boards (PSB's) for each Local Authority area. Each PSB is required to improve the economic, social, environmental and cultural well-being of its areas by working to achieve the wellbeing goals. PSB's contribution to achievement of the goals must include preparing and publishing an assessment of local wellbeing by May 2017, preparing and publishing a local wellbeing plan by May 2018 and preparation of an annual progress report specifying the steps it has taken, since publishing its most recent local well-being plan, to meet the objectives set out in the plan.

The Act is central to the Welsh Government's long-term policy for the public services and its themes tie in with the International Framework: Good Governance in the Public Sector (CIPFA – the Chartered Institute of Public Finance and Accountancy/IFAC – International Federation of Accountants, 2014), on which the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE – the Society of Local Authority Chief Executives and Senior Managers, 2016) is based.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Guidance has been issued called Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016) and applies to annual governance statements prepared for the financial year 2016/17 onwards.

The Council has a Local Code of Corporate Governance in place. This is currently being reviewed to determine what changes may be necessary to reflect the requirements of Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

This Annual Governance Statement explains how the Council has complied with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) and also meets the requirements of Part 2 of the Accounts and Audit Regulations 2015.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

A governance framework comprises the systems and processes, and culture and values, by which the Council and its activities are directed and controlled. It also embodies the way in which it accounts to, engages with, and leads the community. It enables the Council to monitor the delivery of its wellbeing objectives and priorities and to consider whether this has led to improved outcomes for the citizen. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or deliver its objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, wellbeing objectives and priorities. It also evaluates the likelihood of those risks being realised and the associated impact should they occur, and identifies how the risks will be managed.

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 effectiveness is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.

A governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2018 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

### 3. THE GOVERNANCE FRAMEWORK

The following is a description of the structures and processes that comprise the Council's governance arrangements including arrangements for:

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

All Councillors and Officers in the Council are required to comply with the relevant Codes of Conduct as set out in the Constitution, which details the particular roles and responsibilities of Councillors and Officers.

The Code of Conduct and Declaration of Interests form part of the Councillor's Induction Process. Councillors are expected to declare to an appropriate Director or Manager and in the Register of Interests any financial/non-financial interests which could conflict the Council's interests. Councillors must also declare any offers/ acceptance of hospitality.

The Council has confirmed a number of Core Values and associated behaviours:

- Honesty & Openness
- Trust & Respect
- Accountability
- Learning
- Aspiration
- Team Working
- Communication

The Council has formed a Standards Committee to promote and maintain high ethical principles and these are enshrined within the Code of Conduct for Councillors. All Councillors have to agree to follow the Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee is responsible for training and advising Councillors on the Code of Conduct.

All new starters within the Council are provided with a Staff Handbook which provides a summary of the Council's relevant policies and working practices. Included within the Handbook is a summary of the Employee Code of Conduct. The complete Employee Code of Conduct is also available on the Council's Intranet site.

The Head of Legal and Democratic Services is the Monitoring Officer for the Council, with the specific responsibility for ensuring that the Council, its Officers and its Councillors maintain the highest standards of conduct in all they do as per Section 5 of The Local Government and Housing Act 1989 and as amended by schedule 5 paragraph 24 of the Local Government Act 2000.

The functions of the Monitoring Officer include support to the Standards Committee in its promotion of high standards; acting on Ombudsman reports; and conducting investigations into certain categories of complaints against councillors remitted by the Ombudsman. Any complaints received against Councillors are referred to the Ombudsman for investigation. Complaints are only referred to the Standards Committee if the Ombudsman felt there was an appropriate outcome to do so. In 2017/18, a total of 8 complaints made against Councillors were referred to the Ombudsman for investigation. All complaints received were dismissed with the exception of 1 complaint which remains under investigation. In 2017/18, there were no complaints referred to the Standards Committee.

An updated induction process has been implemented for all newly elected Councillors. This includes a list of obligatory training sessions for the elected Councillors to attend. All elected Councillors were required to attend obligatory training with regards to Councillors Code of Conduct, Standards and Ethics and the role of Councillors in Planning Committee and Data Protection. Other training offered during the first phase of induction included:

- Introduction to Scrutiny
- Wellbeing and Future Generations (Wales) Act
- Equalities, Welsh Language and Risk Management
- Health and Safety (including the Council's Lone Worker Facility)
- Social Media
- Licensing Committee

Including the obligatory sessions referred to above, a total of 34 training events were offered during the first six months which resulted in an overall attendance of 52%. A breakdown of individual Councillors' attendance is recorded and monitored. In 2018, every elected Councillor will be subject to an individual Training Needs Analysis, and asked if there is any specific training required to assist with their continued learning and development. This process will help Councillors identify their key strengths, consider their continued development needs and what support may be required to meet their personal objectives and deliver the Council's corporate vision.

Cabinet members are actively involved in reviewing the Council's core values to underpin all Council business.

Senior Managers have undertaken a range of courses under the banner of the Managers Academy to ensure skills and knowledge are updated and refreshed.

The Council's Procurement Strategy requires that all procurement activity will be undertaken to the highest standards of probity and professionalism and that Councillors and Officers will be fair and ethical and will avoid conduct that may contradict this or suggest a conflict of interest.

The Procurement Team will comply with the CIPS (Chartered Institute of Procurement and Supply) code of ethics and promote this throughout the Council to all members of staff that have a responsibility to commit expenditure.

To support the management of risk, Key Partners are identified within each of the Councils Risk Registers. The Council has developed an Integrated Impact Assessment (IIA) which incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working), Welsh Language, Equalities and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to. This has been applied to business cases and projects as part of the Councils project management framework. The IIA is due to be introduced for Council & Cabinet Reports during 2018/19.

The Council operates an in-house Internal Audit Service that is compliant with the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Service undertakes a comprehensive annual programme of work based upon a risk assessed plan.

The Council is a participant in the National Fraud Initiative (NFI) and the work of Internal Audit includes processing the National Fraud Initiative data matches and other relevant work.

The Council has an operating and effective Audit Committee that is compliant with the Local Government Measure (Wales) 2011 and the Accounts and Audit Regulations (Wales) 2014. The Committee Terms of Reference are compliant with best practice guidance. The Council's External Auditors undertake a comprehensive annual programme of work that they report on.

The Council's Financial Procedure Rules and Constitution documents contain guidance and instruction for staff and also detail the arrangements in place.

The Council has an Anti-Fraud and Corruption Policy in place. This is currently being reviewed to ensure it remains up-to-date and effective.

The Council has a Whistleblowing Policy in place encouraging staff to raise any concerns they may have regarding malpractice within the Council. In 2017/18 there were no complaints made under the Whistleblowing Policy. The Policy is periodically publicised to remind staff about making referrals if the need be.

## **b) Ensuring openness and comprehensive stakeholder engagement.**

Consultation and engagement is one of the main tools the Council uses to inform and understand the opinions and views of local residents, customers and other stakeholders within the County Borough. The Council has developed a Communications, Consultation and Engagement Strategy which applies to all work streams that require engagement and consultation activities. In line with the Communications, Consultation and Engagement Strategy, the Council is continually reviewing their communication and engagement channels. These include:

- Contact Magazine
- Council's internal Intranet
- Use of local, regional and national media
- Use of service users for planning groups
- Chief Executive's Core brief
- Social Media including Facebook and Twitter
- Council's Website
- Electronic Signage Facilities
- Improved telecommunication access channels
- Specific consultation on change programmes e.g. Chief Executive Information Sessions, Chief Executives Blog
- Face to face engagement session such as drop in sessions and roadshows

The public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations Act.

There are clear channels of communication in place corporately for all consultation and engagement activity. This is done through the Cwm Taf Engagement Hub, Council's website, social media sites and the Contact Community magazine. In addition to this, there is a citizen panel for Merthyr Tydfil and a combined panel with Rhondda Cynon Taff CBC to ensure that the Council is consulting and engaging with all sections of the community.

Responsibility for consultation and engagement sits with the Corporate Communications and Consultation Team within the Council.

The Council has also confirmed a number of Core Values and associated behaviours including Honesty and Openness, and Communication.

A series of new engagement and consultation activities have been adopted by the Council in compliance with the Consultation Charter. This includes new processes and procedures to better engage with our communities such as Listening and Engagement, Live Social media and Co-production events. This will keep an on-going dialogue throughout consultation and engagement

processes with stakeholders and will enable the Council to evaluate the impact to service users of the Council.

The Council is proactive with all consultation and engagement across the Cwm Taf Footprint through closer partnership working via the Strategic and Practitioners Public Engagement Group meetings. The level of engagement has improved significantly through the Public Service Board Cwm Taf footprint with the launch of the Cwm Taf portal. Internally, the Council has developed more robust consultation and engagement processes and procedures through working with an accredited Consultation and Engagement Consultant.

Regular progress updates are provided on all communication and consultation activity internally through Corporate Management Team, Senior Leadership Team, Communications and Consultation Sub Group, the Change Programme Steering Group and the Change Programme Board. Progress on certain consultation exercises are also communicated back to the Cwm Taf Public Engagement Group.

The Public Service Board represents a statutory partnership of public and voluntary sector organisations. Wide ranging consultation was undertaken during the development of the Cwm Taf Wellbeing Assessment and the development of the Cwm Taf Wellbeing Plan.

To support the work of the Wellbeing Plan, an Involvement, Communication and Engagement Group (ICE) has been set - up as part of the Public Service Board. A Communication, Consultation and Engagement Strategy has been developed to ensure that the work of the PSB is understood and its aim of changing the way we serve the public.

In preparing the Wellbeing Assessment the PSB talked to hundreds of people who live, work and use public services across the Cwm Taf area, community groups and members of our communities who wanted to have their say. The findings from the Assessment were used to help start a more detailed work to find out what was important to communities and what can be done to improve people's well-being. The Wellbeing Assessment will be used across public services to inform design and delivery of services. To ensure that everyone is able to work together to improve well-being in Cwm Taf, the Public Services Board is supported in engagement and communications by officers from PSB member organisations.

All Council agendas, reports and minutes are available on the Council's website as they are published and Full Council and Planning Committee meetings are webcast. Consideration is currently being given to webcasting Scrutiny Committees. Further to this, all agendas are published in both the Welsh and English language.

The Council operates a corporate complaints policy and a social services complaints policy to ensure it effectively deals with any concerns or complaints customers may have about services provided by the Council.

The Council adopts a positive attitude towards complaints and views them as a valuable form of feedback, which assists in the development and improvement of services. Complaints also provide an opportunity to learn lessons where a service has fallen short of an expected standard.

In 2017/18, a total of 237 Corporate complaints were received against the Council; 86 complaints were upheld, 104 were not upheld, 27 were partly upheld and 20 complaints were not progressed for a variety of reasons. Corporate complaints are not currently being reported to Cabinet.

The Council is required by the Social Services Complaints Procedure (Wales) Regulations 2014 and the Representations Procedure (Wales) Regulations 2014 to produce an Annual Report about the operation of their Social Services Complaints, Representations and Compliments policy and procedures. The report in relation to complaints received during 2017/18 will be presented to Cabinet in September 2018.

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

The Wellbeing of Future Generations (Wales) Act 2015 requires the Council to set and publish wellbeing objectives and to identify how it will work towards meeting those objectives using the sustainable development principle. Public bodies in Wales must work in a sustainable way to achieve the common vision to improve the economic, social, cultural and environmental wellbeing of Wales. Therefore, we need to make sure that when we make decisions, we take into account the impact they could have on the people living their lives in Merthyr Tydfil now and in the future.

Public bodies covered by the Act, including Local Government are required to consider the longer term in making their decisions and to work collaboratively with other public bodies to improve wellbeing in Wales. The Act places a wellbeing duty to set wellbeing objectives that maximise their contribution to achieving wellbeing goals. Public bodies' first wellbeing objectives were set and published by 31<sup>st</sup> March 2017. Public bodies are required to report annually on their progress towards meeting their Wellbeing Objectives.

The Council has an approved vision that is at the heart of delivering the local Wellbeing Objectives and PSB objectives. This aligns with the seven Wellbeing Goals and Five Ways of Working (Long Term; Preventative; Integration; Involvement; Collaboration). The Council also has a Statement of Wellbeing and a Focus on the Future document that sets out the local Wellbeing Objectives. A PSB Wellbeing Plan has been developed. There are strategies for each Wellbeing Objective underneath the vision with appropriate performance indicators identified. An extensive exercise has been carried out when developing the local Wellbeing objectives and PSB objectives. This is reflected in the PSB Wellbeing Plan and MTCBC Wellbeing Statement and Focus on the Future documents. The same approach is taken to change projects and budget setting. This is then used in setting budgets and local Wellbeing objectives.

For openness and transparency, information supporting all engagement and public consultations, is available on the Council's communication channels i.e. Council website, social media sites, Facebook and Twitter and via the Cwmtaf Hub. Stakeholders can access these channels to feedback in response to any engagement session or public consultation with the opportunity to also respond via a paper copy, email or a petition. All information will be recorded and analysed by the Corporate Communications Team, the outcome of which will be forwarded to Senior Managers and Politicians at Corporate Management Team and Corporate Leadership Team for consideration. Following this, a report will be presented to Full Council with a recommendation for Council to approve. The outcome and the impact of the decision made will be reported via the Council's communication channels.

Performance is monitored through self-assessment and performance challenge. Service performance is also challenged at scrutiny committee meetings.

The Council has a Corporate Risk Register in place which is an essential part of the Council's corporate governance arrangements. The Corporate Risk Register is a risk register which allows the Council to focus on managing and mitigating the most significant corporate risks that could impact on the organisation and/or community.

The Council's updated Corporate Risk Register is presented to Audit Committee and Cabinet for approval, along with an Annual Report on risk management. Reporting on risk management is an integral part of the Council's risk governance arrangements. Lead Corporate Management Team Officers are invited to attend Audit Committee on a rolling programme basis to report on progress in managing their Corporate Risks.

Budget consultation exercises are held throughout the County Borough in evaluating customer priorities for the allocation of scarce resources. These take the form of Cabinet roadshows, on-line surveys and social media engagement. In addition the customer's opinion on Council Tax increases in supporting local services is also sought. This engagement assists in informing the Budget Setting process and also informs the customer of the financial pressures faced by the Council in allocation of resources to competing demands. Business cases are developed and challenged using the seven Wellbeing Goals, Five Ways of Working, regional Wellbeing Objectives and local Wellbeing Objectives.

Extensive public engagement processes are in place, these include managing expectations. This is also true for internal change. Business cases, project initiation documentation and delivery reports include assessments against determining priorities and making the best use of the resources available.

The Capital Programme is compiled for a four year period based on proposals submitted by Chief Officers/Senior Managers, supported by Cabinet and approved by Council. Revenue implications of capital decisions are included as part of an integrated Medium Term Financial Plan, for example capital financing cost implications of borrowing to support the capital expenditure. A significant

proportion of capital expenditure is funded through external grants received from a number of external awarding bodies which are subject to rigorous prescriptive terms and conditions.

The Welsh Procurement Policy Statement is a key driver for procurement activity. The Council's Procurement Board is driving the application of economic, social and environmental impacts of procurement related activity. Community benefits are tested on all contracts over £1million. The Council collaborates with other public bodies extensively across the procurement portfolio and the procurement strategy supports the Wellbeing of Future Generations (Wales) Act 2015 including supplier engagement. Open accessible competition is provided through e-procurement tools funded by Welsh Government (Sell2wales, etenderwales, AWARD, marketplace), and simplified standardised process are provided through P2P.

When inviting tenders, the process ensures that the most advantageous tender is approved and stipulates conditions in respect of complying with the Council's wellbeing objectives and the Wellbeing of Future Generations (Wales) Act 2015 as appropriate.

In terms of ensuring fair access to services the Council has adopted a Strategic Equality Plan (SEP) for 2016-2020 in line with the requirements of the Equality Act 2010. The SEP sets out the following Equalities Vision for Merthyr Tydfil:

*"A place where diversity is valued and respected and everyone can participate, flourish and have the opportunity to fulfil their potential free from discrimination and prejudice."*

This Vision is supported by the following four Equality Objectives that are set out in the Plan:

- Equality Objective 1 - Community Engagement:  
Put citizens' voices at the heart of local decision making so that their contribution is understood, recognised and used to help the Council understand and respond to the needs of its communities.
- Equality Objective 2 - Equality Awareness Raising:  
To support and facilitate Equalities training and learning opportunities so that staff at all levels, Councillors and partners recognise and incorporate Equalities as part of their role.
- Equality Objective 3 - Understanding our Staff and Communities:  
Develop robust monitoring systems to collect, collate, monitor and publish equalities data on our employees and customers, which will help the Council to ensure that it provides fair and accessible services.
- Equality Objective 4 - Gender/Equal Pay:  
Ensure equity of pay across Merthyr Tydfil County Borough Council.

The Council publishes an Annual Equality Report noting progress across all aspects of its equalities work, including progress on delivering its Equality Objectives in line with the Public Sector Equality Duty.

The Council has approved its Welsh Language Promotional Strategy. The Strategy sets out the following Welsh language Vision for Merthyr Tydfil:

*"A place which promotes the use of the Welsh language and treats the Welsh and English languages on the basis of equality".*

This will be achieved by enabling and encouraging:

- The broad provision of Welsh language education throughout the County Borough.
- The opportunities for people to use Welsh at work, at home and at play.
- The perception of languages as life skills, which enriches the lives of those who use them.
- People throughout the County Borough to feel pride in their language, and confidence to use it.

It is the Council's vision to encourage a cultural change in the way that the two languages of Wales are perceived in this County Borough. "We want to make a difference."

**d) Determining the interventions necessary to optimise the achievement of the intended outcomes.**

The delivery of corporate change is monitored and supported via the Change Management Steering Group as part of the procurement framework and governance arrangements. This group comprises of professionals from across the Council, e.g. Legal, Procurement, Risk, Equalities, Performance, Finance, Corporate Communications, HR, Business Change and Project Management (as part of the procurement framework and governance arrangements). Following delivery, the Budget Board monitors the financial position. Performance is monitored through self-assessment and performance challenge (however this is not across all service areas due to the timeline for development of the Focus on the Future Wellbeing plan). Service performance is also challenged at Scrutiny Committee meetings.

The challenge of documents is carried out by various relevant Boards as part of the governance arrangements. All reports to Cabinet and Council require an Equalities Impact Assessment. The challenge against the Wellbeing of Future Generations (Wales) Act 2015 is done as part of this process.

The Council has a project management framework that assesses risk, resources and finance (as well as other elements of the proposal). The business case template sets out each option for appraisal. The project initiation documentation sets out timescales and additional information as required.

Corporate Management Team assess reports prior to Cabinet and Council with feedback from documentation and Boards being available.

In addressing budget reduction requirements business cases consist of a number of options complete with risk and equality assessments and projected timelines for achievement.

Feedback from any public engagement and consultation process including Budget Consultation is analysed by the Communication, Consultation and Engagement Department and a report of the findings will be considered by Corporate Management Team and Cabinet members. Following this an additional report will be presented to Full Council for a decision to be made. The outcome of this decision will be communicated to all stakeholders via the Council's communication channels i.e. Council website, Social media sites and Contact community magazine.

On request from our residents, additional information and events are held with support from the Council's Cabinet.

Internal engagement with staff is undertaken via the Council's Intranet, Chief Executive's Blogs, Roadshows, staff emails and staff forums.

Planning and control cycles that cover strategic and operational plans, priorities and targets have been established. These are currently delivered as part of Corporate Management Team and Scrutiny functions. Education and Social Services have additional control cycles to meet external requirements (including safeguarding protocols).

Appropriate local performance indicators (as well as relevant statutory or other national performance indicators) are used to identify how the performance of services and projects are to be measured.

As part of the Strategy on a Page Development a full review of Performance, Scrutiny, Partnerships, Welsh Language, Business Change, Risk and Equalities Team has taken place to ensure capacity exists to generate the information required to review service quality regularly.

The Medium Term Financial Plan aids financial planning and corporate decision making and is integrated with the Council's Wellbeing Objectives, Asset Management Plan, Strategic Workforce Plan, Financial Context, Revenue Budget, Capital Programme, Reserves Strategy and Treasury Management Policy.

The Council's Medium Term Financial Plan is for a four year period integrating revenue expenditure and capital plans linked to strategic objectives. The Capital Programme is set for four years. Four year budget requirement projections are compiled for revenue indicating projected budget deficits for years two to four. In determining affordability of the Council's plans, the Medium Term Financial Plan is compiled on the basis of projected funding received from Welsh Government. This informs the amount of available resources for Council services in defining the affordability envelope.

Professionally qualified and part qualified Accountants work with Service Managers in establishing budget requirements and identifying the impact of proposed budget reductions. Timelines are communicated along with expectations. The Medium Term Financial Plan marries capital ambitions with revenue implications over the four year period of the plan.

Although the Medium Term Financial Plan currently only indicates projected budget deficits for year's two to four, a sensitivity analysis in respect of Welsh Government Funding and Council Tax increases allow the impact of changes in the external environment to be determined. This provides further meaningful information to the decision maker.

**e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Operations, performance and use of assets are reviewed on a regular basis to ensure their continuing effectiveness.

Delivery of corporate change is monitored and supported by the Change Management Steering Group as part of the procurement framework and governance arrangements. Following delivery of change, the Budget Board monitors the financial position. Performance is monitored through self-assessment and performance challenge. Service performance is also challenged at Scrutiny Committee meetings.

The Corporate Asset Management Plan (2014-19) sets out the Councils five year plan for managing its assets. This is reviewed regularly to ensure that the property portfolio is closely aligned to service requirements and corporate priorities. There is a robust property review exercise in place which analyses service requirements recommending property rationalisation where appropriate and delivers on the release of surplus property to fund the capital programme.

Assets surplus to requirements are continuously reviewed and recommended for sale where appropriate.

Benchmarking and horizon scanning techniques are used in the development of strategies and business cases for change. Benchmarking with other Local Authorities, Public Sector and Private Sector is undertaken where appropriate when budget saving proposals are presented. In addition benchmarking information is used in supporting the 'Income Management and Cost Recovery Policy' to assist in evaluating the extent to which services with an income stream are recovering costs. This then informs proposals for increases in fees and charges. Benchmarking is also utilised to assess Value for Money of Council Services, for example educational attainment.

In terms of effective operation of partnerships the Council has a Risk Category Checklist as part of its risk identification process. The Checklist includes the following in relation to partnership related risks:

- Consideration of, for example, the impact of working with private and/or public sector organisations, accountability frameworks and partnership boundaries, large-scale projects with joint ventures, outsourced services, relationship management, change control/exit strategies, business continuity and contractual liabilities.

The updated Checklist also forms part of the Council's revised Project Management Framework.

The Council has developed an Integrated Impact Assessment (IIA) which incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working), Welsh Language, Equalities and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to.

The IIA also includes partnership risk as part of the five ways of working. The IIA asks the following under Collaboration (Actively working together with other partners (internal and external) to deliver wellbeing objectives):

- Do partners identify, understand and manage their role in the partnership in the most appropriate way – identifying factors which influence the success of the partnership and the relationships, identifying the risks, what might go wrong, what might prevent the partnership from achieving its objectives and outcomes?
- Have the risks associated with creating, establishing, managing and delivering successful partnerships been identified and are being managed? Examples of some of the risks that could be considered include financial, legal, reputation, resource conflicts, reliance on a particular partner, how well other partners are managing risk.

This has been applied to business cases and projects as part of the Council's project management framework. The IIA is due to be introduced for Council & Cabinet Reports during 2018/19.

Political Leaders are aware of the political balance rules and senior salary limitations relating to committee membership and they work together to ensure that nominations are made to cover all seats on committees, on outside bodies and partnership boards.

With a large number of new Councillors in 2017 there has been intensive work between Senior Councillors and Officers to facilitate understanding of roles and the functioning of the organisation.

Induction and new Councillor training has taken place together with close working between Corporate Management Team and Cabinet including a number of joint meetings being held.

The accountability of the role of Member Champions has been clarified and they will be required to report back on the work that they have been involved with and how it has impacted the Council's vision and wellbeing objectives.

The Leader and Chief Executive have defined and distinctive leadership roles that are set out in a number of areas in the Council's Constitution. This area is being reviewed owing to the

appointment of new Councillors and the need to more clearly define and distinguish between the respective roles and responsibilities.

Senior Managers have undertaken a range of courses under the banner of the externally facilitated Managers Academy to ensure skills and knowledge are updated and refreshed. This has allowed the creation of new networks through coaching and action learning sets.

A Strategic Workforce Plan is in place based on a combination of internal and external performance measures. This is currently in the process of being updated alongside the creation of Departmental Workforce Plans to support Strategies on a Page and Service Strategies. This will be submitted to Council in the near future together with a new Organisational Development Strategy.

A performance management system has been in place and this has been reviewed with an updated performance management appraisal system called Focus on Performance having recently been launched. Workshops have been arranged to discuss new templates and how to ensure that personal development plans to capture training and development needs are included.

There are a number of health and safety policies in place to help maintain the health and wellbeing of the workforce, along with supporting staff in maintaining their own physical and mental wellbeing. These policies include:

- Corporate Health & Safety Policy
- Risk Assessment Policy,
- Workplace Stress Policy,
- Manual Handling Policy,
- First Aid Policy,
- Display Screen Equipment Policy,
- Hand Arm Vibration Policy, Noise at Work Policy.

Out of a total of 22 local authorities in Wales, the Council has the lowest percentage of Sickness Absence. In addition, Merthyr Tydfil is the only Council to have commissioned a bespoke annual Stress at Work survey.

Occupational Health support is available to all staff including assessments by trained medical personnel, access to counselling, and workplace/workstation adaptations to comply with disability legislation and requirements.

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

A Self-Assessment of the Council's Risk Management arrangements has been undertaken to establish the Council's level of risk maturity. The Council's level of Risk Maturity was assessed as:

- Risk Management is working and embedded in the organisation

The Wales Audit Office (WAO) has published a National Summary Report in 2017 setting out how Councils in Wales are dealing with service change. Several positive examples from Merthyr Tydfil County Borough Council are highlighted in the report. These include the Council's continued work to refine its arrangements through self-review. It also highlights the work that the Council has done in restructuring its risk register to reflect the requirements of the Wellbeing of Future Generations (Wales) Act 2015.

The Council has a Corporate Risk Register & Chief Officer and Service Area Risk Registers in place. These Risk Registers capture and report on the management of risks and issues that could impact on:

- Delivering the Council's Wellbeing Objectives.
- The wellbeing of our communities and future generations.
- The organisation (MTCBC).

The Council also has an established Equality Impact Assessment process in place enabling report authors to identify any threats (negative impacts) and/or opportunities (positive impacts) associated with proposals in Council and Cabinet reports that could impact on Protected Groups, in line with the requirements of the Equality Act 2010.

Risk Management is a key element of the Council's Project Management Framework to ensure that it is incorporated into all levels of programmes and projects across the Council. Risk Management continues to be an integral part of the Council's Change Programme. This includes having a Programme Risk and Issue Log in place that is monitored and reported on a quarterly basis.

As part of the Council's Scrutiny Work Programme, risks and issues together with the related risk mitigation are monitored and reported in the Wellbeing Plan Reports. These are presented to the respective Scrutiny Committees in line with the Council's Wellbeing Plan.

Risk Management is an integral part of the Councils Procurement Toolkit which helps service departments and staff when procuring goods and services. It assists Procurement to manage stakeholder expectations, and facilitate outcomes that are within the risk tolerance of the Council.

The Council has an approved Risk Management Strategy that includes a Corporate Risk Management Policy Statement. The Risk Management Policy and Strategy is reviewed annually to ensure that it continues to provide an effective process for the systematic identification and management of risk within the Council which will ensure that the objectives of the Council's Risk Management Policy are realised.

Each Corporate Risk is allocated to a Portfolio Member, Lead Corporate Management Team Officer and Lead Officers to ensure that there are clear lines of responsibility and awareness at all levels of the Council.

To support the management of each Corporate Risk, Team Members and Key Partners are also identified within the Corporate Risk Register.

Within the Chief Officer and Service Area Risk Registers each risk/issue is allocated to a Risk Owner, Team Members and Key Partners. The risks/issues in the Change Management Programme Risk Log have been allocated to the Senior Responsible Officer.

The Budget Board, which includes the Leader of the Council, Cabinet Member for Governance and Corporate Services, Chief Executive (Chair), Deputy Chief Executive and Chief Finance Officer, meet on a monthly basis to scrutinise service performance against budgets. Where financial issues exist, Chief Officers, with Cabinet Members are invited to Budget Board to provide explanations and potential solutions. Cabinet formally consider Budget Monitoring statements on a quarterly basis.

Detailed reports and analysis are provided to Councillors to support decision making along with appropriate advice and discussion.

Councillors are provided with electronic access to committee papers as they are published and receive ongoing statutory and non-statutory training to support them in their role as decision makers.

Business cases in supporting budget reduction proposals provide rationale for options presented and recommendations made and include where appropriate benchmarking information, risk and equalities assessments. These are considered at Cabinet, Scrutiny Committees, Audit Committee and Council and are subject to engagement and consultation with all stakeholders.

The Council has a Risk Category Checklist as part of its risk identification process. This aims to ensure that risk identification is undertaken in a structured way to help ensure that all potential categories of risk are considered rather than just the initial risks that come to mind.

The Checklist is based on the widely used PESTLE Model (Political, Economic, Social, Technological, Legal and Environmental). The Checklist has been reviewed and updated in consultation with service areas across the Council to consider the risk requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Checklist has also been updated to reflect other areas of risk in relation to partnerships, procurement and reputation, for example.

Culture has also been added as a Risk Category to ensure the Council considers risk from an environmental, social, economic and cultural wellbeing perspective. The five ways of working (Long Term, Integration, Involvement, Collaboration and Prevention) have also been added to the Checklist to ensure they are considered when developing risk action plans.

The Council's Corporate Risk Register is prepared using a combination of the following risk sources:

- Corporate Risks that were identified in the previous year's Corporate Risk Register.
- An analysis and grouping of:
  - The identified risks that have been scored 12 or above in the Chief Officer and Service Risk Registers.
  - The identified issues in the Chief Officer and Service Risk Registers.
  - Risk Identification Workshops for Corporate Management Team and Councillors.

The Council has developed an Integrated Impact Assessment (IIA) which incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working), Welsh Language, Equalities and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to. This has been applied to business cases and projects as part of the Council's project management framework. The IIA is due to be introduced for Council & Cabinet Reports during 2018/19.

The Council has six scrutiny committees in place; the Governance, Performance, Business Change and Corporate Services Scrutiny Committee; the Learning & LAESCYP Scrutiny Committee; the Neighbourhood Services, Planning and Countryside Scrutiny Committee; Regeneration and Public Protection (also Crime & Disorder Committee); and the Social Services Scrutiny Committee. These committees meet approximately every six weeks. There is also a Joint Scrutiny Committee with membership including all the Scrutiny Councillors and Co-opted members. The Joint Scrutiny Committee meet when there is an issue or item that affects all the scrutiny committees. The Joint Scrutiny Committee met once last year to consider the draft budget proposals.

The scrutiny committees are made up of elected local members (Councillors) who are not part of the Council's Cabinet, along with co-opted representatives. Their role is to monitor performance, challenge the Council's spending proposals, review services, contribute to policy development, examine the work of other local public service providers and promote public engagement in the democratic process. In addition to having publically appointed co-opted members of each of the scrutiny committees, there are voluntary sector represented co-opted members, and Youth Forum co-opted members. All Cabinet decisions are subject to "call-in" by the scrutiny committees. All Councillors are sent a link to the Cabinet agenda. Minutes / decision notices are sent to scrutiny members for them to decide if they wish to "call-in" a decision. During 2017/18 no Cabinet decisions have been subject to "call-in". Cabinet members regularly attend scrutiny committee meetings where they are subject to challenge on their areas of responsibility. The Council's Wellbeing Objectives have regularly been reported to all of the scrutiny committee as can be evidenced in the meeting agendas and minutes. The Council sets out the respective roles and responsibilities of scrutiny Councillors in the Council's Constitution.

The Constitution also sets out the terms of reference for the scrutiny committees. Each year the Council's scrutiny committees produce an Annual Report which includes a retrospective insight

into the work undertaken by each of the Council's Scrutiny Committees during the municipal year. The Annual Report for 2017/18 was submitted to Council during July 2018.

The Cwm Taf Joint PSB Scrutiny Committee was established during 2016/17 (MTCBC & RCTCBC) with the role of scrutinising and challenging the work of the Cwm Taf Public Services Board. Training has been provided to Councillors on the Joint PSB Scrutiny Committee on their role by the WLGA. Following Local Government elections in May 2017 the Council has had a programme of training for Councillors.

The Change Management Board members include Cabinet Members. As such monthly updates are received. Outcomes and progress are reported to Corporate Management Team and Senior Leadership Group, again on a monthly basis. Quarterly reports are provided to Cabinet for information on progress. Progress towards outcome achievement is challenged at governance scrutiny committee meetings. Senior Management meetings are in place for each directorate to present reports on service delivery plans.

Budget Setting, Budget Monitoring and Budget Outturn statements follow a consistent template which is also the format reported to Budget Board and Cabinet. Delivery of approved savings are monitored by Change Management Steering Group and Budget Board.

The Council's Financial Procedure Rules and Constitution documents contain guidance and instruction for staff and also detail arrangements in place. They are reviewed periodically to ensure they remain fit for purpose and relevant. Both the Financial Procedure Rules and other elements of the Constitution are in need of updating to reflect changes that have taken place in recent years.

Risk Management informs the Internal Audit Plan that is put in place for the year, and each year Internal Audit will focus on a number of Corporate Risks as part of their audit work.

The Internal Audit plan is devised using a risk based strategy. Individual Internal Audit reports give opinions on risk management and internal control arrangements. The Risk Management function is subject to periodic Internal Audit review in line with the Audit Plan.

The Annual Internal Audit Report for the financial year 2017/2018 incorporating the Audit Manager's opinion has been produced and reported to the Council's Audit Committee. Based upon the work undertaken during the year Internal Audit gave a satisfactory opinion on the internal control environment, risk management arrangements and governance arrangements for 2017/18.

The Council operates an in-house Internal Audit Service that is compliant with the Public Sector Internal Audit Standards.

The Council is a participant in the National Fraud Initiative and the work of Internal Audit includes processing the National Fraud Initiative data matches and other relevant work.

The Council has and operates a Whistleblowing Policy and Anti-fraud and Corruption Policy that includes guidance and the avenues that can be used for reporting fraud to a number of points of contact both within the Council and externally e.g. the police, the external auditors, the ombudsman etc.

There are a number of measures used within the Revenues and Benefits Service to identify benefit and council tax reduction fraud activity and there are defined courses of action to be followed for any identified cases that can include court action and criminal prosecution.

The Council has an operating and effective Audit Committee that is compliant with the Local Government Measure (Wales) 2011 and the Accounts and Audit Regulations (Wales) 2014. The Committee Terms of Reference are compliant with best practice guidance.

The Audit Committee meets approximately every 6 weeks. It is independently chaired by a member of the non-ruling political group. Each meeting is attended by Internal Audit and a representative from the External Auditors. All meetings are minuted and open to the public. All minutes are published. Minutes and agendas of the meeting are maintained and retained on the Council's democratic administration system. Training is provided to Councillors periodically and when requested.

Effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. In readiness for the implementation of the General Data Protection Regulations (GDPR), the Data Protection Officer has prepared all relevant documents and continues to offer training to staff and Councillors to implement the legislation. Reviews of current data processing have taken place.

The Council is a member of Wales Accord on the Sharing of Personal Information (WASPI) and as such will enter into WASPI agreements when sharing information with partners that are also party to the accord. In instances where a data controller is not a member of the WASPI, information sharing protocols are in place that will support the sharing of personal information.

Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring forms part of the challenge around quarterly returns, statutory returns, scrutiny committee meetings, and self-evaluation and performance board meetings. This work is currently being reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015.

The annual budget process encompasses medium term financial planning with the intention that budget decisions are aligned to wellbeing objectives, asset management planning and workforce strategy. The Council approved Medium Term Financial Plan covers a four year period with currently a balanced budget set for year one and indicative budget deficits stated for years two to four (based on reported assumptions).

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

All Committee agendas, reports and minutes are written, communicated and published on the Council's website for the public and other stakeholders. These are available in both English and Welsh. Full Council meetings and Planning meetings are webcast.

Reports are subject to officer challenge as part of governance arrangements (e.g. Change Management Steering Group) and prior to Cabinet and Council via Corporate Management Team, and Service Management meetings. This provides a means for ensuring a balance between the correct level of information for transparency and ability to make a true decision.

Committee Membership, Attendance, Declarations at meetings, Registered Interests and Councillor Representation on Outside Bodies are monitored and published on the Council's website and included in the Councillors' Annual Reports.

A report on Remuneration paid to elected Councillors is published annually on the Council Website and updated with any changes throughout the financial year. All of this information is also reported to the Independent Remuneration Panel for Wales (IRPW).

The Annual Performance and Progress Report for 2017/18 will be issued in September 2018. The Council has issued the forward looking plan Focus on the Future - Wellbeing in our Community 2017-2022.

Annual Financial Statements are presented to Full Council for approval following External Audit by the Wales Audit Office. This is a statutory requirement. As part of the annual Council approval of the forthcoming year's Budget ("Budget Requirement and Council Tax - State of the Council Debate") the Chief Finance Officer comments on the robustness of the estimates and adequacy of financial reserves.

The way that Council resources are used to contribute to the Well Being objectives is demonstrated in the Budget Report.

Recommendations from the Wales Audit Office's Annual Improvement Report (including best practice) are also taken into account.

Medium Term Financial Plan updates are also presented to Council prior to formal approval.

The Annual Statement of Accounts is compiled based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice followed by every Local Authority. This ensures consistency of reporting allowing for meaningful comparisons and benchmarking. Completion and publication is governed by statutory timescales. Limited performance data is included within the audited annual accounts.

An annual assessment of application of the principles contained within the Governance Framework is undertaken and involves a number of key officers and members of Corporate Management Team including the Chief Executive, Deputy Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via committee responsibilities e.g. the Audit Committee, Governance, Performance, Business Change and Corporate Services Scrutiny Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by CIPFA/SOLACE. This checklist is populated by the key officers, evidence is provided to support checklist comments. The checklist, evaluations and evidence are independently evaluated by the Internal Audit Service. The checklist, any actions for improvement required arising from its completion and a draft version of the Annual Governance Statement is reviewed and evaluated by the Corporate Management Team, Scrutiny and Audit Committees; and also the Wales Audit Office.

The assessment process and the results of the assessment are published within the Annual Governance Statement.

Actions for improvement are included in the authority's corporate action plan monitoring system known as the 'AAP (Audit and Inspection Action Plans) system'.

There are a number of shared service arrangements in existence that the Council participate in. Shared services are hosted by a Lead Authority with those services following the governance arrangements in place with those Lead Authorities. There are also specific arrangements in place for reporting on performance, use of resources and other important governance matters established for different partnerships or shared services.

The Council has introduced a process for monitoring External Audit, Regulation and Inspection reports and their actions/recommendations. This involves Internal Audit checking all reports and maintaining a monitoring system. Reports are presented to Corporate Management Team and Audit Committee including update reports on progress on the implementation of agreed recommendations.

Peer challenge is built into the performance challenge arrangements. This work is currently being reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015.

Peer challenges, reviews and inspections from Regulatory bodies are welcomed as a means to provide added assurance over service delivery or to identify opportunities for improvement. Good links exist with Wales Audit Office, ESTYN, the Social Services Regulators and other key regulators, commissioners & stakeholders.

The Council operates an in-house Internal Audit Service that is compliant with the Public Sector Internal Audit Standards. The Internal Audit Service undertakes a comprehensive annual programme of work based upon a risk assessed plan.

The Council has an operating and effective Audit Committee that is compliant with the Local Government Measure (Wales) 2011 and the Accounts and Audit Regulations (Wales) 2014. The Committee Terms of Reference are compliant with best practice guidance. It is independently chaired by a member of the non-ruling political group.

Audit Committee, Corporate Management Team and other key councillors and officers are consulted on areas of audit for inclusion in the annual plan. At the end of the financial year the Audit Manager writes an Annual Report and Opinion on the control environment, risk management and governance arrangements at the council using the work completed throughout the year as the basis on which to formulate an opinion. This opinion is also included within and informs the Council's Annual Governance Statement.

The Council has a Risk Category Checklist as part of its risk identification process. The Checklist has been reviewed and updated in consultation with service areas across the Council to consider the risk requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Checklist has also been updated to reflect other areas of risk in relation to partnerships, procurement and reputation.

Risk is an integral part of the procurement process, the Procurement Board and Change Management Steering Group considers risks through each procurement gateway report.

The Public Services Board (PSB) has a detailed Terms of Reference which sets out the arrangements for a number of matters including, roles and responsibilities, public participation, governance and management; and accountability for the Board and a range of partnerships.

#### **4. 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.

A review of the effectiveness and annual assessment of application of the principles contained within the Governance Framework is undertaken and involves a number of key officers and members of Corporate Management Team including the Chief Executive, Deputy Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via committee responsibilities e.g. the Audit Committee, Governance, Performance, Business Change and Corporate Services Scrutiny Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This checklist is populated by the key officers, evidence is provided to support checklist comments and then the checklist and evaluations and evidence is independently evaluated by the Internal Audit Service. The checklist, any actions for improvement required arising from its completion and a draft version of the Statement is reviewed and evaluated by the Corporate Management Team and the Governance Scrutiny Committee and Audit Committees and also the Wales Audit Office.

The assessment process and the results of the assessment are published within the Annual Governance Statement.

The Internal Audit Service and key officers of the Council carried out a review based on CIPFA/SOLACE guidance to ensure that evidence was in place to support the production of the Annual Governance Statement, to identify gaps where that was not the case and to review the effectiveness of existing arrangements.

Throughout 2017/18 the Council has maintained and reviewed its system of internal control in a number of ways. In particular:

The Internal Audit Service has undertaken planned reviews of internal control procedures, risk management and governance arrangements across departments and across a range of functions within the Council. The Internal Audit Service worked to its Plan for 2017/18. Reports were published upon completion of assignments and circulated to management. Action plans are included in the Council's Audit, Inspection Action Plans system (AAPs).

Minutes and agenda papers of Audit Committee demonstrate that both internal audit, external audit (Wales Audit Office) and other external inspection/regulation agencies reports have been made to Audit Committee and also that officers have been called to the Audit Committee to discuss their respective reports and action plans and to subsequently provide further updates on progress at future Audit Committee meetings.

The Annual Internal Audit Report for the financial year 2017/18 incorporating the Audit Manager's opinion was produced and reported to the Council's Audit Committee on the 11<sup>th</sup> June 2018. Based upon the work undertaken during the year Internal Audit gave a satisfactory opinion on the internal control environment, risk management arrangements and governance arrangements for 2017/18.

The Scrutiny committees have examined a number of issues as part of their work programme in 2017/18 as demonstrated in their Annual Report which will be reported to Full Council in July 2018.

Information taken into consideration for producing the Annual Governance Statement includes performance management information, work completed by the Internal Audit Service, work completed by the External Auditor and other external inspection agencies, Scrutiny work, Risk Management and the Internal Control Framework including procedures, codes of conduct and policies and financial management controls as outlined in the CIPFA/SOLACE guidance.

The Significant Governance Issues identified for 2017/18 are shown in section 5 and take into account the definition identified in Appendix 1.

The Significant Governance Issues identified in 2016/17 together with the updated current position regarding their status is included in section 6.

## 5. SIGNIFICANT GOVERNANCE ISSUES 2017/18

| Issues  | 2017/2018 AGS Position & Action Taken/Planned  |
|---|--|
| <p><b>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</b></p> <p><b>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</b></p> | <p>The Medium Term Financial Plan (MTFP) 2017/2018 to 2020/2021 was presented for approval to Council on 22 March 2017 and indicated an estimated budget deficit of £16.4 million over the period of the MTFP based on assumptions contained within the MTFP. The MTFP 2018/19 to 2021/22 was approved by Council on 07 March 2018 indicating a revised estimated budget deficit of £13.7 million over the 4 year period, to be addressed through the Council's Corporate Change Programme.</p> <p>Although the Council aligns the MTFP with its priorities determined by its wellbeing objectives, it must be appreciated that a MTFP is a rolling programme continuously updated for changing circumstances, new developments and priorities. Consequently it was recognised that a significant amount of work was still required to fully align spending requirements to Corporate Wellbeing Objectives and available finance. The Council's Operating Model Design defines how the Council is to carry out its business and supports the Council's Corporate Strategy, Wellbeing Objectives and Chief Officer's 'Strategies on a Page'. The Performance Board will monitor achievement against the measures of success and desired outcomes. In addition financial sustainability and resilience of the Council is monitored by the Chief Finance Officer.</p> <p>A significant provisional revenue outturn surplus (before transfer to the Budget Reserve) of £1.125 million is reported for 2017/18 with General Reserves provisionally at £4.7 million (4% of net revenue budget), remaining in line with the Council's Corporate Reserves Policy. Both the Budget Board and Change Management Steering Group have been instrumental in delivering this provisional surplus through robust scrutiny and challenge of Budget Managers, when identifying potential financial issues at an early stage thus supporting timely corrective action.</p> |

## 6. SIGNIFICANT GOVERNANCE ISSUES 2016/17 - UPDATE

| Issues  | CURRENT POSITION (2017/18)  |
|---|---|
| <p><b>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</b></p> <p><b>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</b></p> | <p>Reduction in funding from the Welsh Government continues and as a result this remains a significant governance issue for 2017/18.</p> <p>See Section 5 – ‘Significant Governance Issues 2017/18’ for the current position and action taken / planned to address the issue.</p> |

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor  
Leader of the Council

Gareth Chapman  
Chief Executive

## Appendix 1

In determining what may constitute a significant governance issue, the following was taken into consideration:

A single definition of a significant governance issue is not possible. Councils need to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category, but factors that may be helpful in exercising that judgement include:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose.
- The Audit Manager has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Finance Officer and/or the Monitoring Officer.