Report

Audit Committee

Part 1

Date: 24 March 2016

Subject   **Annual Governance Statement 2015/16 – First Draft**

Purpose   To inform and give Members an early opportunity to contribute to the Council's Annual Governance Statement, which will accompany the Annual Statement of Accounts for 2015/16

Author   Chief Internal Auditor

Ward   General

Summary   In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement with its Annual Statement of Accounts. This Statement is based on how well the Council meets its own Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.

Proposal **To review the first draft of the Annual Governance Statement and provide appropriate comments before recommending its presentation alongside the Annual Statement of Accounts 2015/16.**

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Background

1. In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement (AGS) alongside its Annual Statement of Accounts. The AGS is based on the Council's Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.

2. The Code sets out Newport City Council's approach to achieving and maintaining good corporate governance. It follows guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), and also takes account of the Welsh Assembly Government's 'citizen-centred governance principles for Wales'.

3. Newport City Council (the Council) is by nature, a complex organisation which affects the lives of all citizens in the area: As well as providing a diverse range of services, it also works with partner organisations who provide other public services. The Council's aims and priorities reflect these responsibilities.

4. The Council sees Corporate Governance as aiming to do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.

5. Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must be sound and be seen to be sound.

Governance Principles

6. The Council operates through a governance framework that brings together its legislative responsibilities and management processes with six core governance principles based on those developed by the Independent Commission on Good Governance in Public Services in 2004. These are:

   ➢ Focusing on the purpose of Newport City Council and on outcomes for the community and creating and implementing a vision for the local area;

   ➢ Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;

   ➢ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

   ➢ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;

   ➢ Developing the capacity and capability of members and officers to be effective; and

   ➢ Engaging with local people and other stakeholders to ensure robust public accountability.

7. The Council's AGS, shown at Appendix 1, is based around these governance principles and demonstrates how it ensures that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in

which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

9. The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

10. 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, aims and 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, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

11. The governance framework has been in place at the Council for the year 2015/16.

Financial Summary

12. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

13. If members are not involved in the process of ensuring sound corporate governance the Council could be subject to adverse criticism from the external auditor, currently WAO.

Links to Council Policies and Priorities

14. The Governance framework and arrangements supports all of the Council's priorities and plans.

Options Available

15. (i) That the Annual Governance Statement be accepted and presented alongside the Annual Statement of Accounts 2015/16, subject to any amendments suggested by the Audit Committee.

Preferred Option and Why

16. Option (1) as it is requirement of the Local Government Measure

Comments of Chief Financial Officer

17. I can confirm that I have been consulted on Annual Governance Statement and have no additional comments.

Comments of Monitoring Officer

18. In accordance with the Accounts and Audit (Wales) Regulations 2014, an Annual Governance Statement must be prepared with the Annual Statement of Accounts, setting out how well the Council complies with its Code of Corporate Governance. The Council's internal governance arrangements are set out in various constitutional framework documents under the umbrella of the Code of Governance. The Code has been prepared in accordance with relevant Guidance and incorporates the six core governance principles developed by the Independent Commission on Good Governance in Public Services. It also reflects legislative requirements and ethical principles of democratic decision-making. Compliance with the Code will ensure that decisions continue to be made lawfully and with propriety and in a fair and transparent manner.

Staffing Implications: Comments of Head of People and Business Change

19. No Human resources or policy implications for this report.

Background Papers

20. The early draft of the 2015/16 Annual Governance Statement is set out at Appendix 1.

Appendix   1

ANNUAL GOVERNANCE STATEMENT 2015/16

DRAFT 1

Andrew Wathan

1   This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE); the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

2   Scope of Responsibility

2.1   Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

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

2.3   The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

2.4   The code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. A copy of the code can be obtained from the Head of Finance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

3   The Purpose of the Governance Framework

3.1   The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2   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, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to

identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3   The governance framework has been in place at the Council for the current year 2015/16, and up to the date of approval of the statement of accounts.

4   The Governance Framework

4.1   The Council's code of governance has been developed in line with the following principles:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;

- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;

- Developing the capacity and capability of members and officers to be effective; and

- Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of the Council's governance framework are as follows:

4.2   The Council's vision is to be "recognised as a high performing Council, ensuring the right services are provided to our communities, our councillors and our staff".

4.3   The Council's mission is 'Improving people's lives – providing the best affordable services'.

4.4   The Council's Corporate Plan for 2012-2017 "Standing Up For Newport" sets out the 5 year vision for the Council. The strategy is set out in the Corporate Plan and these have been adopted as the Council's Improvement Objectives: Newport is

- A Caring City;

- A Fairer City;

- A Learning and Working City;

- A Greener and Healthier City;

- A Safer City;

- Supported by an improving and transformed City Council

The [strategic planning process] shows how the corporate plan fits in with the improvement plan and other key plans and strategies in Newport.

4.5 The [Improvement Plan] is the delivery vehicle for the Corporate Plan. The Improvement Plan summary leaflet highlights what the Council is aiming to do and how it is going to measure its success towards the aims set out above; 8 Improvement Objectives were agreed by Council in April 2015.

1. Supporting Older People leaving hospital

2. Improving care and support services for adults

3. Developing and regenerating the City

4. Supporting young people into education, employment or training

5. Ensuring the best educational outcomes for children

6. Helping children have a flying start in life

7. Increasing recycling

8. Improving outcomes for youth justice

4.6 The Single Integrated Plan (SIP) (Cabinet February 2013) – 'Feeling good about Newport 2013-17' represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole community. It is agreed by all partner organisations that are members of the One Newport Local Service Board (LSB). A review of partnership arrangements, in line with Welsh Government planning guidance has resulted in an integrated partnership structure and Single Integrated Plan (SIP) that replaces the Community Strategy and four core partnerships of:

- Healthy Newport (Health, Social Care and Wellbeing Strategy)

- Young Newport (Children and Young People's Plan)

- Prosperous Newport (Prosperous Newport Plan)

- Safer Newport (Community Safety Plan)

The priorities within the SIP are:

- Skills and work

- Economic opportunity

- Safe and cohesive communities

- Health and wellbeing

- City centre

- Alcohol and substance misuse

4.7   The Council's values are Accountable, Open and United and these are communicated to staff via the intranet.

4.8   The Council's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Corporate Plan, Improvement Plan, SIP, and the service-planning process establishes and communicates those priorities and means of achieving them.

4.9   The Council's Risk Management Strategy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. The risks and the controls necessary to manage them are recorded in the respective service plans, and any required improvements to controls are monitored to ensure implementation.

4.10   Processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This is supported by reviews undertaken by the external auditors and inspectors, and co-operating with the Welsh Government and as part of the wider collaborative agenda.

4.11   The Chief Executive and the Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework, Views, and is regularly reported to the Performance Board.

4.12   In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of procurement and project management.

4.13   The Constitution, which can be found on the Council's website, sets out:

- how the Council operates and makes decisions;

- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;

- the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;

- a scheme of delegated powers for decision-taking;

- responsibilities for reviewing and agreeing the Council's corporate governance arrangements;

- arrangements for ensuring it is regularly reviewed and updated;

- its related codes and protocols.

4.14   The Council takes its decisions by way of the full Council meeting or the Executive. The Executive comprises the Cabinet working as a collective. Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council or the Cabinet are available to the public by way of the Council's website except in exceptional circumstances where reports are not available to the public as they may contain exempt or confidential matters. Any minutes or decisions arising from the consideration of such reports are, however, available to the public via the website. Report and Decision schedules showing decisions taken by individual Cabinet Members are also available to the public via the websites except in similar exceptional circumstances. Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer and by the Section 151 Officer and (where there are staffing issues) by the Head of People and Business Change. The report template ensures report authors consider potential risks and financial implications of their proposals.

4.15   The Council has appointed 3 Scrutiny Committees to assist in policy development and also to hold the executive to account:

- Learning, Caring and Leisure Scrutiny

- Street Scene, Regeneration and Safety Scrutiny

- Community Planning and Development Scrutiny

Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups. In response to the Local Government Measure the Council established an Audit Committee and a Democratic Services Committee. Agendas, reports, decision schedules and minutes of all meetings of these Committees are available to the public by way of the Council's website except in exceptional circumstances where exempt or confidential matters are discussed. The Audit Committee has appointed an independent chairman; he is not part of the political structure of the Council.

4.16   There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations and Contract Standing Orders (CSOs). These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Head of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the CSOs. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and full Council.

4.17 The ethical governance framework includes:

- codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance;

- a protocol governing Member/Officer relations;

- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed;

- registers of personal and business interests for Members and Chief Officers;

- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied; and

- the Strategic Equality Plan and Equality Objectives 2016-2020 (Cabinet February 2016).

4.18 The Head of Law and Regulation is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration.

4.19 Established anti-fraud and corruption arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering, the anti-fraud and corruption policy and the whistleblowing policy.

4.20 The Audit Committee considers the work of external auditors and the responses to audit recommendations. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement).

4.21 All reports to Scrutiny forums, Cabinet Members and Cabinet incorporate a risk assessment. Scrutiny forums also consider and monitor service plans which include the key risks of service provision within that area.

4.22 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) and its role and status is set out in the Council's Internal Audit Terms of Reference. The Chief Internal Auditor is accountable to the Head of Finance and the Audit Committee.

4.23 The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment. The overall opinion for 2015/16 was 'Reasonable' to be updated at 31-3-16.

4.24   The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Information Risk Report. This can be found on the Council's website. The Council is subject to external compliance requirements such as the Wales Audit Office high level risk assessments for its financial systems and information and technology, and the extensive requirements of Public Services Network (PSN) compliance, assessed annually by the Cabinet Office, and Payments Card Industry Data Security Standards (PCI-DSS).

4.25   Local Authorities collect, store, process, share and dispose of a vast amount of information. The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle; from creation through storage; uses, retention, archiving and deletion, outlined in the Information and Technology Strategy 2011-2014 (to be reviewed and updated in 2015/16).

4.26   Following adoption of the Information Risk Management Policy in 2013 the Council has defined roles and responsibilities for information risk as:

- The Senior Information Risk Owner (SIRO) has high level responsibility for controls relating to information security and the role is undertaken by the Head of Law & Regulation;

- Information Asset Owners (IAO's) must effectively manage the information assets that they own;

- The Information Management team are the operational lead on information governance in conjunction with the IT Service;

- The Information Governance Group provides a high level management overview of information governance;

- The Council's Information Risk Register is maintained by the Information Management team to document and manage risks, reported annually.

Information risks are also covered in the Corporate Risk Strategy and Register.

4.27   The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.

4.28   The Council's recruitment procedures provide equality of employment opportunities. An equality-assessed pay structure to meet the requirements of the Single Status Agreement of 1997 was implemented in April 2015.

4.29   Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.

4.30   In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

4.31   The Council is required to meet statutory obligations regarding the handling of data and as part of the development of the Information & Technology Strategy, has adopted an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Deputy Leader in August 2014, and will be reviewed shortly.

4.32   The Annual Information Risk Report provides an annual assessment of the Council's information governance arrangements and key risks, supported by an action plan. The highest level information risks are escalated in the Corporate Risk Register as appropriate.

4.33   There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

4.34   In terms of Transparency, the Council publishes all expenditure >£500 on its website on a quarterly basis in accordance with the Information Commissioners Office (ICO) and Central Government guidance.

4.35   In line with the Local Government Measure a separate Democratic Services Committee was established during 2012/13 along with a Chief Democratic Services Officer; this committee meets quarterly dealing with national consultation exercises, national policy and Members codes and development.

5   Review of Effectiveness

5.1   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 of the Senior Leadership Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

5.2   The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

5.3 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

i) periodic reviews of the Constitution and ethical governance arrangements (including the extent of compliance with the Regulation of Investigatory Powers Act) by the Monitoring Officer;

ii) periodic reviews of the financial controls by the Chief Finance Officer;

iii) formal risk management and regular on-going review of the processes involved;

iv) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions;

v) the work of the Scrutiny Forums and other Committees, including its Standards Committee and Audit Committee;

vi) the opinions and recommendations of the Council's external auditors and other inspection and review agencies;

vii) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;

viii) the outcomes of the Annual Information Risk Report.

5.4 Audit Committee Members undertook a self-assessment of the effectiveness of the Audit Committee.

6 Principle 1: Focusing on the purpose of Newport City Council and on outcomes for the community and creating and implementing a vision for the local area

6.1 One Newport's Single Integrated Plan (SIP) – Feeling Good about Newport 2013-2017– was produced and published in May 2013. A Single Integrated Plan (SIP) is a defining statement of strategic planning intent for the local authority area and contains the LSB's vision for improving the city. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.

6.2 The SIP identifies key priorities and programmes that the LSB will work towards achieving over a set period of time. These priorities have been identified as those where the LSB and other key stakeholders must work together to achieve success.

6.3 The One Newport Local Service Board annual report 2014/15 was taken to the Local Service Board in May 2015; progress against the Single Integrated Plan 2015/16 was presented in September 2015.

6.4   An update of the Council's Corporate Plan was taken to Cabinet in July 2014; this report provides the story behind the programmes and activities that have taken place over the last 12 months that have contributed to the City's on-going improvement journey and the council's commitment to 'Improving people's lives'.

6.5   The annual review of the 2014/15 Improvement Plan was presented to Cabinet in September 2015 – Overall progress against the 2014/15 plan was assessed as being 'good', with most Improvement Objectives performing well with 'Ensuring people have the right social services to meet their needs'; 'Education attainment'; and 'Flying Start' all assessed as excellent. Newport was the third most improved Council in Wales.

6.6   Progress reports on the Council's Improvement Plan were taken through Cabinet regularly in 2015/16.

6.7   The Improvement Plan for 2015/16 sets out eight improvement objectives that contribute towards the themes in the Corporate Plan. The eight improvement objectives 2015/16 are linked to the themes in the Corporate Plan 2012-2017.

6.8   In September 2015 Cabinet received a progress report to Q1 on the Improvement Plan 2015/16; The overall assessment of progress towards achieving the improvement objectives set out in the plan was classed as 'Amber – Good.' Good progress is being made in a number of key areas including: Developing and regenerating the City; Supporting young people into education, employment or training; ensuring the best educational outcomes for children; and helping children have a flying start in life, each of which had been assessed as excellent.

6.9   In December 2015 Cabinet received a progress report to Q2; The overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as 'Amber – Good.' Excellent progress is being made some areas including: 'Ensuring the best educational outcomes for children' and 'Helping children have a flying start in life'.

6.10   Improvement Plan priorities for 2016/17 were taken through Cabinet in January 2016 following a consultation exercise; 8 Improvement Objectives were identified as priorities of the Corporate Plan.

6.11   The Wales Audit Office issued the Council with Certificate of Compliance following an audit of the Council's Improvement Plan 2015/16 which went to Cabinet in June 2015.

6.12   The Wales Audit Office Data Quality Review was considered by Performance Board in March 2014; the key message was "Improvement planning is developing but still needs strengthening and processes for dealing with data are not consistently applied or embedded across services leading to significant weaknesses in the accuracy of reported data". In their Corporate Assessment Review issued in May 2015, the Wales Audit Office stated "that there have been some enhancements to the Council's improvement planning and performance management arrangements, but the scrutiny of performance is not sufficiently challenging to consistently drive

improvement."The Performance Team are working on an action plan to further improve the processes in place.

6.13 Early analysis of Performance Indicators 2014/15 was presented to the Performance Board in June 2015; 76% of measures had met or exceeded targets; 62% of measures had met or exceeded previous year's targets. Overall 2014/15 performance was reported to the Performance Board in September 2015; 76% performed better than target, 71% performed better than last year, 52% have performance better than Wales Average. Mid year performance analysis of the 2015/16 performance was reported to the performance Board in December 2015;

6.14 Progress has been made in ensuring that the Strategic Director's vision of 'Every Child, Every Chance, Every Day' is shared and understood by Education Service staff and schools. This also forms the basis of the foreword to the Education Service Plan which is a public document. The Strategic Director's vision links to the Corporate Plan and Medium Term Financial Plan.

6.15 2015/16 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.

6.16 A Prospectus for Change 2013-17 – Improving People's Lives – Providing the Best Affordable Services was introduced in 2013/14, with an update presented to Cabinet in October 2014. The Cabinet was informed that good progress had been made towards delivering the first year targets for the Change and Efficiency programme with a number of key successes in the first half year of 2014/15.

6.17 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.

6.18 Communication is important to Newport; the Annual Statement of Accounts 2014/15 was taken through the Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website; as are Cabinet Member decisions, Audit Committee reports, Performance Board and the work of the Scrutiny Committees.. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, is available on the Council's intranet and website.

6.19 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2015/16 which have been published on the website.

6.20   To ensure that users receive a high quality of service, service plans were reviewed mid-year and at the end of the year through Scrutiny. The Customer Complaints Policy was updated and reported through Cabinet; the process of which is available on the website, where the public can also report a problem or concern via the StreetScene pages.

6.21   Dealing with customer complaints helps Newport to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. The following table shows the number of complaints received for the past three years:

	2013/14	2014/15	2015/16
Stage 1 Complaints	475	387	
Stage 2 Complaints	30	50	
Complaints to Ombudsman	2	8*	
Customer Feedback / Compliments	347	227	

* The Ombudsman reviewed the complaints but did not investigate any of them

6.22   The Customer Services Strategy included a target of increasing the number of people using online services – monitored by Customer Service and Digital Innovation service plan.

6.23   And where things are not working as well, the Performance Board has recognised the shared role of Cabinet Members in performance against Improvement targets. The Performance Board also recognises the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Improvement Plan, Estyn Inspections, service plans and internal audit reports.

6.24   Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the Medium Term Financial Plan (MTFP) will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.

Procurement Gateway Process

6.25   In 2015 NCC introduced a 'Procurement Gateway Process' mandatory to follow if seeking to commission or procure goods, services or works over £3k in value. The processes are designed to give a consistent approach to procurement across the authority and enable senior management to have visibility of the goods and services being purchased by the Council. The process includes completion and submission of a Procurement Gateway Approval Form, which includes a detailed explanation of each Gateway stage.

6.26   The Gateway process is being implemented due to major reforms in EU legislation for procurement and the Introduction of the National Procurement Service for Wales (NPS), ensuring compliance and transparency.

6.27   We need to ensure that we are in compliance with the new Directives and that we are not purchasing anything that must be sourced via collaborative arrangements such as those by NPS.

6.28   For all procurements over £100k there is a monthly Gateway Board chaired by the Chief Executive that will approve or reject new Business Cases. The Strategic Procurement Category Managers lead service areas in both the gateway process and submitting business case.

Thresholds:

6.29   Up to £3,000 it is necessary only to demonstrate and record that value for money is being achieved.

6.30   From £3,000 to £25,000, requirements should either be sought through the 'Quick Quote' section on www.sell2wales.gov.uk or openly advertised on www.sell2wales.gov.uk . Quotations must either be sought from a minimum of three recognised suppliers in the appropriate market, or previously established competitive sources of supply (Quick Quote), or where limited market knowledge exists and suppliers are unknown, an open quotation must be used.

6.31   From £25,000 to £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the council's electronic etenderwales tendering system.

6.32   Over £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the council's electronic etenderwales tendering system.

6.33   Some examples of achieving value for money through the procurement process included:

Contract	Collaborative	Type	Savings
WPC Milk Commodity Supply of Fresh Pasteurised Liquid Milk	Yes with 13 Local Authorities	Competitive Tender Robust Qualification and Specification 60% Quality 40% Price	Contract Value = £3,174,168.00 Annual Savings = £697,961.00 NCC savings = £34,157

Cyclical assessment of trees (eos) owned and managed by Newport City Council Phase 2	No	Competitive Tender Quality 30% Price 70%	Actual Contract Value for EOS Lots - £19,952.00 Saving - £20,048.00 Savings used to procurement additional work linked to the requirements meant that actual savings = £1,318.00 (based on moving from 12 month to 18 month assessments)
Provision of an independent living support service for the tenants at Ty Nant, Newport	No	Competitive Tender Quality 60% Price 40%	Estimated contract value per annum based on the total cost £619,944.00* of six tenants being in residence Estimated saving per annum over current contract value £85,823.00*

*These figures are indicative as only basic pen pictures of tenants were provided within the tender document.

Therefore the estimated value of the contract based on five residents would be as follows:

Estimated contract value per annum

£516,620.00

Estimated saving per annum

£58,397.00

Provision of a Supported Living Service to Tenants at the Long Barn, Caerphilly	No	Competitive Tender Process 60% quality 40% price	The current contract spend is £404,593.00 per annum and the new contract value, including negotiation, will be £292,073.00 per annum which will result in a saving of £112,520.00 *However, this saving will be reduced by £12K*

Medium Term Financial Plan

6.34   Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to

and approved by Cabinet June 2015, July 2015, September 2015, November 2015, December 2015, January 2015 and February 2015. The 2016/17 Budget consultation and MTFP were submitted to Council in February 2016; budget proposals also went through the Learning, Caring and Leisure Scrutiny, Street Scene, Regeneration and Safety Scrutiny, Community Planning and Development Scrutiny, in September 2015, October 2015, December 2015, January 2016 and through joint scrutiny in January 2016. The Council recognises that timely and accurate budget monitoring information is essential for effective decision making purposes. A public consultation exercise was also undertaken to determine the 2016/17 budget proposals.

6.35   The Local Service Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the city. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability.

7   Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens.

7.1   Developing the Relationship between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. Regular meetings have taken place to further develop the relationship between Scrutiny and the Executive.

7.2   The scheme of delegation in the constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee. Standing Orders and the Constitution were updated to take account of the requirements of the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations in July 2014.

7.3   The Democratic Services Committee will review any necessary changes to the Constitution. Over the past year some changes to Standing Orders have occurred following deliberations by the Committee. A more wide ranging review of the Constitution is planned to commence in the coming year.

7.4   Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also made available on the Intranet during the year.

7.5   To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; authors of all scrutiny, audit committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and the Head of People and Business Change before submission. All reports taken in 2015/16 included such comments.

7.6   A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee during 2013/14. A Planning Committee Code of Best Practice is also in place.

7.7   Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee.

7.8   In order to effectively monitor service delivery, the Performance Board monitors the Improvement Plan and addresses areas of under-performance; Performance Board agendas and minutes. Service plans are monitored by the Scrutiny Committees as evidenced in minutes.

Partnerships / Collaboration Working

7.9   Partnership and Co-operative Principles (Outcome Agreement) is included within the Council's Improvement Plan with its aim being to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport is being delivered via the "One Newport" Local Service Board (Single Integrated Plan) – inter-related work streams include: health and wellbeing, skills and work, economic opportunity, safe and cohesive communities, the city centre and alcohol and substance misuse.

7.10   Although the majority of partnership and collaborative arrangements were identified during 2013/14 for all service areas, the governance arrangements for individual relationships needs to be worked through and clarified in order to determine the continuation of the partnership relationships.

7.11   The establishment of the Education Achievement Service (EAS) for 5 South East Wales Education authorities in 2012 including Newport, has appropriate governance arrangements in place. Revised governance arrangements for the EAS were taken through Cabinet in October 2014.

7.12   Prosiect Gwyrdd is a key partnership Newport is involved in with 5 neighbouring local authorities (Cardiff, Vale of Glamorgan, Caerphilly and Monmouthshire); Newport's Contract Waste Profile was reported to Cabinet March 2012. This partnership is covered by an Inter-Authority Agreement (IAA).

7.13   The Gwent Frailty Programme was launched in April 2011. The Frailty Programme is a multi-agency partnership aimed at improving Intermediate Care services in Gwent and spans the Aneurin Bevan Health Board (ABHB), 5 Local Authority partners and a number of voluntary sector organisations.

7.14   In One Place obtained Cabinet support in November 2013 to facilitate collaboration between Aneurin Bevan Health Board (ABHB), the five local authorities and Housing Associations within Gwent with the aim of streamlining the process of developing suitable accommodation for people with complex health and social care needs in Gwent.

7.15   One Newport Local Service Board includes health, police, colleges, local government, housing, third sector and central government; it has a shared strategic purpose detailed in the Single Integrated Plan with terms of reference and the Performance Management Framework.

7.16   The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Directors.

7.17   There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

8   Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

8.1   The code of conduct and member / employee relationship document are set out in the constitution.

8.2   There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

8.3   There were no complaints of Member misconduct made to the Ombudsman in 2015/16 involving City Councillors. Therefore, there were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

8.4   All waivers of the Contract Standing Orders are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.

8.5   The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area.

8.6   34 Internal Audit opinions were issued in 2015-16; 8 were good, none were deemed to be unsound. The overall opinion on the adequacy of the internal control environment for 2015/16 was therefore **REASONABLE**.

	2013-14	2014-15	2015-16
Very Good	2	0	
Good	21	8	
Reasonable	18	21	
Unsatisfactory	0	5	
Unsound	0	0	
Total	**41**	**34**	

8.7 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2016/17.

8.8 The audit opinions are about the adequacy of the internal control environment within a particular service area or establishment at a particular point in time. They are not a reflection of how well the service is delivered or the establishment is run.

9 Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk in order to foster innovation.

9.1 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website.

9.2 A Scrutiny Improvement Group was established in 2013/14 to review and improve the scrutiny function, which is supported by Cabinet. The group comprises of members and officers and meets monthly.

9.3 Audit Committee meets regularly and its activities can be seen via the Council's website.

9.4 To enable good, quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs, a report template has been developed which helps authors to consider relevant issues in report writing and insists that statutory officers are consulted. Minutes, Agendas & Reports along with decision schedules are all available on the website. Legal / Finance / HR officers attend key meetings to respond to questions as required.

Risk Management

9.5 The Council's Corporate Risk Strategy and Risk Register was updated and taken through Cabinet in September 2014 after being considered by the Audit Committee. The Corporate Risk

Register was further updated and presented to Cabinet in April 2015, June 2015, September 2015, December 2015; further updates were presented to Audit Committee during the year.

9.6 Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. The major risks Newport has identified, following an assessment of current controls or mitigation in place; the top 7 risks facing the Council as at March 2016 were as follows: (updated from Cabinet Report March 16)

	Risk	Risk Assessment August 2015	Risk Assessment December 2015	Risk Assessment February 2016
1	**Legislative Requirements –** That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised)	16	16	16
2	**Increasing Ageing Population** That an increasing percentage of the population are over 65 are this puts an increasing strain on demand led services, particularly those that are statutory in nature and significant budgetary overspends	12	12	12
3	**Capacity and capability to meet the councils objectives** That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	12	12	12

4	**Budget Challenge** That the continuing need for significant annual savings is increasingly difficult to achieve and that could compromise organisational capacity and service delivery including statutory services	16	12	12
5	**Safeguarding** That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm	8	8	8
6	**Investment in Friars Walk Development** That the development does not realise its target value and the developer is unable to sell or re-finance the scheme to repay the loan	4	2	2
7	**City Deal** That the SE Wales region, which includes Newport CC, cannot conclude a city deal within the timescales and as a result misses the opportunity to secure investment to improve economic outcomes for the communities of the city	9	9	9

9.7 The above figures relate to a likelihood v impact score where the higher the number, the higher the risk.

9.8 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.

9.9 A report template for all formal member and scrutiny reports, requires authors to consider risk and its management or mitigation when writing reports.

9.10 Heads of Service submitted their 2015/16 service plans to the respective scrutiny forum in July 2015. The plan included an overview of the service area, budget information and links to the medium term financial plan, an understanding of its customers' needs, service area outcomes, service improvement priorities, performance measures, links to corporate priorities and equalities assessments. The key risks for each service area were identified in each of the service plans. Service Plans were reviewed by Scrutiny members in November 2015 to ensure that the delivery of the service was on track and key objectives were being met. These will continue to be reviewed.

9.11 Each Head of Service incorporates the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

Information Governance

9.12 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. This was received by Scrutiny in June 2015 and will be reported to the Deputy Leader with the Scrutiny Committee comments in July 2015.

9.13 The Annual Information Risk Report forms an important element of information risk management, and includes an action plan. Progress on the actions will be reported in the 2015/16 report and included:

- 350 staff trained on information security since April 2014;

- Information Governance group continues to meet quarterly (Chair changed in line with Wales Audit Office recommendations);

- Further development of a number of policies including Records Management and Incident Reporting;

- High level risks information risk now included in the Corporate Risk Register;

- PSN (Public Services Network) compliance renewed;

- Payment Card Industry standards (PCI-DSS) achieved;

- New Information Sharing protocols developed.

Other work is on-going, and the report for 2015/16 will also consider security incidents, and data breaches through the year;

(Link) Annual Information Risk Report 2015

9.14 The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions, and developing the transparency agenda for the publication of data on Council spending over £500. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

(Link to transparency data): www.newport.gov.uk/transparency

9.15   The Information Commissioner (ICO) recommends that Councils publish information proactively and the Council has adopted the ICO publication scheme in this respect. The model publication scheme commits the Council to publishing certain classes of information. It also specifies how the Council should make the information available, any charges, and what we need to tell members of the public about the scheme. This has been updated in line with new requirements to provide sets of electronic data on request.

9.16   Following a WAO view that there was a conflict of interest with the Chairman of the Information Governance Group, the Strategic Director for Place will now chair this group.

10   Principle 5: Developing the capacity and capability of Members and Officers to be effective.

10.1   Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.

10.2   There is an on-going programme of events for Members involved in Planning & Licensing Committees and Sub Committees.

10.3   The majority of employees have undertaken the 'my review' process. This ensures that all officers and managers reflect on continued professional development (CPD) opportunities which are needed to improve their skill, knowledge and understanding base. Education Service confirmed that all staff in their service had gone through the process. Corporate Health Measures were taken to the Performance Board in June 2015.

10.4   Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.

10.5   Overview and Scrutiny are leading a programme of training and support aimed at improving challenge and scrutiny. The Gwent Scrutiny Challenge is being undertaken in partnership with Gwent colleagues and with support from Welsh Government's Scrutiny Development Fund, Wales Audit Office, Welsh Local Government Association and Centre for Public Scrutiny.

11   Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

11.1   The Scrutiny Annual Report is produced for the Council meeting in July each year.

11.2   The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook was updated in 2013/14. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.

11.3   Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.

11.4   The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning / Licensing Committees live on the internet and is working towards webcasting other formal member meetings.

11.5   The Council has responded to Freedom of Information Act requests within the required 20 days:

	2013-14	2014-15	2015-16
No' of FOI requests	869	895	
No' responded to within 20 days	757	785	
Percentage of FOIs responded to within 20 days [Target 87% - national standard 85%]	87%	88%	

12   Action Plan 2014/15

12.1   Action taken to address the issues raised in the 2014/15 Annual Governance Statement are shown at Appendix 1.

12.2   The Wales Audit Office have undertaken a Corporate Assessment and a follow up assessment of Newport City Council. The Corporate Management Team on behalf of the Council, is working on an action plan to incorporate the recommendations of these assessments to further improve and strengthen the governance arrangements and their effectiveness in future years.

13   Conclusion

13.1   We propose over the coming year to continually monitor and review the projects within each service area to mitigate and manage these risks 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.

Signed: ....…….……………….Date………….…….……… 2016

Leader

Signed: …………………………...........…………………Date……….…….……… 2016

Chief Executive

Action Plan 2014/15

Action taken during 2015/16 to address the issues raised in the 2014/15 Annual Governance Statement to further enhance the Council's governance arrangements.

	Governance issue to be addressed	How	Responsible Officer	By when	Action Taken