

REPORT OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

**SUBJECT:
ANNUAL GOVERNANCE STATEMENT FOR 2010/11**

The purpose of this report is to present to Members the Authority's Annual Governance Statement for 2010/11. The Statement builds on the Governance Code which the Authority adopted last year and for the first time replaces the Statement of Internal Control. The content is very similar to that of the Statement of Internal Control but the emphasis has shifted from one of reviewing the internal controls exercised by the Authority to one of ensuring adequate governance procedures are in place. Further, the Annual Governance Statement provides the vehicle for demonstrating the Authority's success in delivering continuous improvement in performance, which it is required to do under the new Local Government Measure.

**RECOMMENDATION:
That Members approve the Authority's Annual Governance Statement for 2010/11.**

Background Documents
Annual Governance Statement 2010/11

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ANNUAL GOVERNANCE STATEMENT

Note

Information to be included in the Annual Governance Statement

- (a) An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- (b) An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- (c) A brief description of the key elements of the governance framework, including reference to group activities where the activities are significant.
- (d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; standards committee, internal audit and other explicit reviews/assurance mechanisms.
- (e) An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

I. Introduction

The Pembrokeshire Coast National Park Authority (“the Authority”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. It is a Welsh improvement authority under section 1 of the Local Government (Wales) Measure 2009 and as such has a general duty under section 2 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In 2010/11 the Authority approved a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework ‘Delivering Good Governance in Local Government’. This guidance recommends that the review of effectiveness of the system of internal control that local authorities are required to undertake in accordance with the Accounting and Audit Regulations should be reported in an Annual Governance Statement. In Wales the inclusion of the Annual Governance Statement in the Statement of Accounts is voluntary. In 2009/10 CIPFA also published an “Application Note to Delivering Good Governance in Local Government: A Framework”. This note has been developed to advise on the application of the “Statement of the Role of the Chief Financial Officer on Local Government” under the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Authority has decided to adopt the CIPFA framework and Annual Governance Statement approach for 2010/11

II. The purpose of the Governance framework

The governance framework comprises the committees, systems and processes, cultures 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.

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 Authority’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.

III. Review of Effectiveness

The Authority is responsible for conducting an annual review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of the Authority’s, Members and

its Committees, internal and external auditors, other review agencies (as appropriate) and senior managers who have responsibility for the development and maintenance of the internal control environment. The review of effectiveness of governance can be divided into the following.

The review is based on the six principles of the Code of Corporate Governance.

Principle 1.

Focusing on the Authority's purpose, on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

The Authority has been focusing on developing work to ensure that it is 'fit for Purpose' to meet the challenges of the future.

Corporate Strategy

During the past ten months the Authority undertook an extensive exercise to develop a new Corporate Strategy. This process saw the clarification of our purpose and the identification of 8 Outcomes that will drive our work in the future. The strategy was developed through extensive consultation and engagement with Members, Staff, external organisations and members of the public.

The decision to move away from an objective based strategy to an outcome based strategy was taken in an attempt to focus more on what the Authority delivers for the area and seeks to move our work programme from an inward focused programme to a programme that focuses on external impact.

Ffynnon System

The Authority has adopted the Ffynnon system to ensure that we develop and manage a robust system of performance information to highlight the impact of the work undertaken by the Authority.

Value for Money Study

The Authority co-operated with the Brecon Beacons National Park Authority and the Snowdonia National Park Authority to develop a set of robust performance indicators for the Development Management Service. These have been included in our performance management system.

Budget Pressures / Joint working

In June 2010 the Chief Executive presented a report to the Continuous Improvement Group on financial and political climate and the need for Joint Working. In response to this scenario, officers discussed a variety of approaches to combat these reductions, including seeking to reduce costs, re-evaluating the Authority's approach to providing services, increasing income, taking opportunities to reduce staff numbers and seeking to make efficiency savings through joint working.

Principle 2

Members and officers working together to achieve a common purpose, with clearly defined functions and roles.

There is clear definition of the roles of Members and Officer and a clear committee and decision making structure. This is based on:

The Authority

The Authority comprises 18 members and will meet at least 6 times a year and its main functions are:

- To approve the development of the Authority's strategic corporate planning framework through the National Park Management Plan (every five years), the Local Development Plan (every five years), the Corporate Plan (every 3 years) and the Business and Improvement Plan (annually).
- To determine all policy matters in support of its strategic planning objectives. The Authority may receive advice from the permanent Advisory Group and may also set up task and finish advisory groups to investigate and advise on specific matters.
- To determine all Service Standards, and the Authority's Welsh Language Scheme,
- To manage the Authority's resources i.e. finance, staffing and assets; and to approve the budget, levy, charges, and the Annual Accounts
- To ensure that the NPA complies with all legislation affecting its services.
- To determine membership of other committees, task & finish groups, working groups and advisory groups, within the NPA, and their terms of reference, and the Authority's representation on external bodies and organisations.
- To determine the delegation of the Authority's responsibilities to other committees of the Authority and when appropriate to the Chief Executive

Performance Review Committee

Performance Review Committee contains all member of the National Park Authority and is responsible for the monitoring and review of performance toward meeting the targets set in the National Park Management Plan, Corporate Plan, other plans and projects, and on other performance indicators. The Committee considers:

- Quarterly reports on financial performance and budgetary matters

- Quarterly reports on performance towards targets, projects and PIs where relevant
- Systems development
- Annual reports from the Wales Audit Office (W.A.O.) on Financial Aspects of Corporate Governance, Wales Programme for Improvement, the Annual Audit Letter and any other Audit Commission reports
- Reports from Internal Audit on financial systems and controls and other reports prepared by Internal Audit.
- Annual reports on achievements towards targets set in the Business and Improvement Plan and the National Park Management Plan.

Continuous Improvement Group

The Continuous Improvement Group consist of six core members, three members appointed by the Authority, representative of the two appointing constituencies, and three officers, including the CEO. The group have the power to invite attendance of other members or officers if the work programme indicates that their attendance or experience would add value to its work

The terms of reference for the group are:

- To review aspects of the Authority's governance arrangements, to include relevant policies and procedures, as directed by the Authority.
- To oversee the improvement process arising out of risks identified by the Authority and / or the Performance Review Committee.
- To monitor the Authority's response to the Welsh Assembly Government's Improvement Agenda, by identifying opportunities for collaboration, partnership and customer centred working.
- To identify additional outcome /qualitative measures to help assess the Authority's performance across its service areas.
- To report progress, outcomes and recommendations of the Group to the Performance Review Committee for initial consideration on a quarterly basis

Internal Audit

The review of the effectiveness of the system of internal control and governance arrangements is informed by the work of the Internal Auditors and their reporting to the Authority. This work is undertaken by Pembrokeshire County Council's Internal Audit Department who structure their work based on a rolling 5 year audit program. The terms of reference for internal audit require that work is conducted in accordance with standards as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.

External Audit

Wales Audit Office act as the Authority's external audit and make comments following their financial accounts and performance work and in the annual audit letter. They also express an opinion on the adequacy of internal audit work.

Section 151 Officer

In the Authority the Finance Manager also acts as the Section 151 Officer. The Authority complies with the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government".

The Executive

The Senior Management Team meets at least weekly and comprises of the Chief Executive Officer, the Director of Communication & Recreational Management, the Director of Conservation, Head of Legal Services, Head of Business Management, Head of Administrative Service and the Section 151 Officer.

During the year Members agreed a process for managing staff, with all decisions regarding individual staff matters, with the exception of Directors and statutory offices such as Monitoring Officer and Section 151 Officer delegated to the Chief Executive.

Principle 3

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

A Code of Conduct for Members and a Code of Conduct for Officers is in place. Issues relating to breaking the Code of Conduct are deal with by the following:

The Standards Committee

It is the responsibility of the Authority's Standards Committee to promote high standards of conduct by Members and Officers. It does this by advising on and promoting awareness and understanding of the code of conduct for Members and the code of conduct for officers, both of which are documented in the Authority's Constitution

Monitoring Officer

The statutory Monitoring Officer functions set out in Section 5 of the Local Government and Housing Act 1989 (as amended) i.e., in short, to report to the Authority if the Monitoring Officer considers that any proposal, decision, or omission by the Authority may give rise to unlawfulness or maladministration.

Staff Members

Issues relating to the conduct of staff are normally considered in accordance with the Authority's Disciplinary procedures, who are normally reviewed in accordance with the Human Resources Strategy.

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Authority has taken the following action to improve its processes and structures and also to tackle identified issues of risk.

Review of Committee Structure

During the past year the Authority has undertaken a review of its Committee Structure. As a result of this review the Current Performance Review Committee will be replaced by the following three committees:

- Audit and Corporate Services Review Committee – looking at corporate risks, governance and issues relating to the work of the Chief Executive Officer and departments reporting to him such as HR, Finance, IT, Communications, performance management. In addition, this Committee will look at performance against the Welsh Assembly Government Grant letter.
- Conservation and Planning Review Committee – looking at risks and performance in areas covered by the Director for Conservation and Planning. This will include issues such as climate change, the Natural Environment Framework as well as the performance of Development Management.
- Recreation and Tourism Review Committee – looking at risks and performance in areas covered by the Director for Tourism, Communications and Marketing. This Committee will oversee the work of centres such as Oriel y Parc, Carew Castle and Castell Henllys.

All three Committees will report to the NPA and have a membership of six (four members nominated by Pembrokeshire County Council and two nominated by the Welsh Assembly Government).

It is considered that these proposals will improve on the current system through:

- Providing Members with more opportunity to scrutinise the work of the Authority;
- Where currently areas of work are considered once a year or less frequently by the Performance Review Committee, the new system will provide an opportunity to consider performance on a more regular basis;
- Members will develop a better understanding of areas of work of the Authority;
- In some cases it will allow officers to benefit from greater Member input into their work.

Scrutiny Project

The Authority is currently working with the Brecon Beacons National Park Authority on a project to develop a Scrutiny process for National Park Authority. The project will continue over the next year and seeks to ensure that the Authority meets the scrutiny requirements of the Local Government measure while at the same time developing a process to improve its effectiveness.

Delivery of Development Management Service

Following the Wales Audit Office report in 2009 on the Authority's planning service, an internal Development Management Board was established to devise and implement an Improvement Plan to address the issues raised. This work had been supervised by the Continuous Improvement Group, who had received reports on progress, and regular meetings had also been held with relevant officials from the Welsh Assembly Government, who subsequently kept the Minister for the Environment, Sustainability and Housing informed of progress. The Authority had also published Service Standards for the planning service, and had adopted a Code of Practice for Members and Officers, both of which had been required by the Wales Audit Office report.

Oriel y Parc Café

At extraordinary meeting held in October 2010 members considered a detailed report from the Director of Recreation, Marketing and Communications on the operation of the café at Oriel y Parc, St Davids. The report contained background information on the extension of the original Visitor Centre in 2008 to incorporate a gallery and café, together with details of the original business plan, and went on to present financial information relating to actual café sales over the last three years. Following a detailed discussion, it was agreed that the café facility at Oriel y Parc be closed. Additionally officers be authorised to explore all options regarding the future use of the space.

Pembrokeshire County Council Internal Audit Report

As part of the Authority's corporate governance programme, an audit of all services is carried out on a five year rolling programme by the County Council's Internal Audit Service. During 2010/11 the audit concentrated on:

- Review of Previous Year Agreed Action Plan
- Payroll
- Estates Management
- SAM Stock System (at Information Centres)
- Sustainable Development Fund (SDF) Grant
- IT: PC / File / Internet / Firewall and Website Controls

The audit process uses the standard CiPFA auditing guidelines and other best practices with the aim of identifying potential weaknesses in controls. Each of these potential weaknesses is then assessed jointly with the auditors to consider the likely risk and scale of impact, and the alternative controls and potential improvements within the resources of the Authority. .

No significant failings were identified in the internal audit programme, although a number of minor improvements were suggested.

Bettws Newydd

The Authority has come to the end of a long and difficult planning case in Newport. The Chairman and Chief Executive asked the Monitoring Officer to undertake a review of all aspects of the case to ensure that the Authority learns lessons from the case.

Principle 5

Developing the capacity and capability of Members and officers to be effective.

The Authority has undertaken the following to develop the capacity and capability of Members:

Wales Charter for Member Support and Development

The Authority has been awarded the Wales Charter for Member Support and Development to recognise its work in supporting Member Development.

Wales Advanced Charter for Member Support and Development

The Authority is currently working towards the Advanced Charter. As part of this process we are introducing Member discussions, which provide Members with an opportunity to discuss issues with either the Chairman of the Authority or a Senior Member. In addition, this provides an opportunity for Members to discuss their training and development needs and identify areas they wish to develop or develop an improved understanding.

The Authority has undertaken the following to develop the capacity and capability of Members:

Performance Management

The Performance Management process has been reviewed and changes made to link the Staff Performance Appraisal process to the Corporate Strategy. We are now undertaking work to further develop the "Golden Thread" that ensures a clear line of accountability from the Targets and Outcomes identified in the Corporate Strategy to the Departmental Plans and Individual targets.

As there isn't a strong culture of Performance Appraisal within the Authority we have engaged the services of Pembrokeshire College to support staff undertaking appraisals.

Principle 6

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

During the past year the Authority has sought to engage with local people and stakeholders through a range of consultations. Various approaches were taken to promote these consultations such as organising events, discussions with specific groups such as Community Councils, promotion on local radio, articles in newspapers and discussions with 6th Form pupils.

The Authority took the decision to develop a pilot project to take some of the meetings of the Authority to some of the communities of the National Park. This will enable residents of the National Park to gain a better understanding of the decision making process. The first meeting recently held in St David's was successful and we are looking at options to further role out the scheme.

IV. Significant Governance Issues

Governance Issues Identified	Action to be taken
The Annual Improvement Report from the Auditor General for Wales highlights three area in need of consideration.	The Authority will work towards <ol style="list-style-type: none"> 1) ensure all the Authority's policies and strategies are up to date 2) ensure medium-term financial planning is closely linked to, and supports delivery of, the Authority's priorities 3) ensure the Authority uses data more effectively to manage performance
Better linking of the budget to the improvement Objectives to help ensure resources are not allocated to lower priority areas.	The Authority recognises the need to ensure that all of its existing commitments and objectives are fully funded. Whilst many of the actions identified to meet Improvement Objectives can be undertaken from existing budgets the Authority recognises that this will not always be so. The Authority will therefore ensure that all future new budget allocations will be subject to proof that the allocation of resources will assist in the implementation of an Improvement Objective.
Improved linking of policies and strategies	Ensure that all policies and strategies are linked to and contribute to the delivery of the Corporate Strategy. We will develop a mapping exercise and templates that ensure that this action is delivered.
Improve the staff appraisal scheme. The revised staff appraisal scheme is still in its infancy and there is still a need to demonstrate clear links between staff targets and corporate objectives.	The revised staff appraisal scheme contains clear links to both the Authority's Improvement Objectives and Corporate Work Programme. Ongoing monitoring will ensure that a golden thread is maintained between staff targets, improvement objectives and the Corporate Strategy.

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.

SIGNED _____
Chairman

DATED _____

SIGNED _____
Chief Executive

DATE _____

SIGNED _____
Section 151 Officer

DATE _____