

**REPORT OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER**

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**SUBJECT:**  
**ANNUAL GOVERNANCE STATEMENT FOR 2011/12**

The purpose of this report is to present to Members the Authority's Annual Governance Statement for 2011/12. The Statement builds on the Annual Governance Statement and Governance Code which the Authority adopted last year for the first time. The Annual Governance Statement provides the vehicle for demonstrating the Authority's success in delivering continuous improvement in performance, identifies control systems and processes and highlights significant governance issues to be addressed.

**RECOMMENDATION:**  
**That Members approve the Authority's Annual Governance Statement for 2011/12.**

Background Documents  
Annual Governance Statement 2011/12

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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.**

The following have previously been identified as Significant Governance Issues and action has been taken to tackle these issues:

<b>Governance Issues Identified</b>	<b>Action taken</b>
The Annual Improvement Report from the Auditor General for Wales highlights three areas in need of consideration.	The Authority has worked towards <ol style="list-style-type: none"> <li>1) A review of policies to ensure that all the Authority's policies and strategies are up to date</li> <li>2) Change of procedures to ensure that medium-term financial planning is closely linked to, and supports delivery of, the Authority's priorities. This included a Zero-based budgeting exercise.</li> <li>3) The Authority has developed its capacity to use data more effectively to manage performance.</li> </ol>
Better linking of the budget to the Improvement Objectives to help ensure resources are not allocated to lower priority areas.	A Zero-based budgeting exercise linked to delivering our key outcomes and Improvement Objectives has been undertaken.
Improved linking of policies and strategies	An exercise has been undertaken to plan and link all our policies and strategies to ensure they contribute towards delivering our key outcomes and Improvement Objectives.
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.	Outside consultants were engaged to review the staff appraisal system and to support managers to implement the scheme. This involved providing training for managers.

#### **IV. 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.

### Planning the Work of the Authority

An exercise has been undertaken to ensure that all the policies and strategies of the Authority contribute to the delivery of the National Park Management Plan. As part of this process we have begun reviewing our policies and strategies and evaluating whether they are still fit for purpose and how they can contribute towards the delivery of the National Park Management Plan and the associate Action Plan.

### Corporate Strategy

During 2010-2011 the Authority undertook an extensive exercise to consult on its Corporate Strategy. This strategy saw a move away from an objective based strategy to an outcome based strategy in an attempt to focus more on what the Authority delivers for the area.

As 2011-2012 was the first year of delivering this new strategy, it was decided to only make minimal changes to the Corporate Strategy for 2012 onwards.

### Annual Improvement Plan

The Corporate Strategy will provide the basis for the Annual Improvement Plan required to make sure the Authority fulfils its requirements under the Local Government Measure. For the 2012-2013 Annual Improvement Plan the Authority has decided to give greater priority to identifying Annual Improvement Objectives or Outcomes, and intends to consult on the agreed Corporate Strategy to identify the Annual Improvement Objectives.

### 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. Members are being encouraged to access and use the system.

### Zero Based Budgeting exercise

The Authority adopted a Zero-based budgeting exercise to ensure that its expenditure linked to the delivery of the outcomes identified in the Corporate Strategy. It is intended to repeat the exercise for 2013-2014.

### Reducing the costs of our Visitor Centres

During 2011-2012 a report was produced by the Director of Recreation, Marketing and Communications aimed at reducing the costs of our centres. Work has been undertaken to implement the recommendations of this report.

### Budget Pressures / Joint working

Work has continued to reduce costs and to identify options for joint working. Discussions are on-going with a number of other Authorities to identify efficient ways of delivering our services.

## **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 Strategy (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

### Continuous Improvement Group

The Continuous Improvement Group consists of five members of the Authority including the CEO. Membership of the group was changed this year in order to co-ordinate with the new Performance Review Committees. The new membership includes the Chairman and Vice Chairman of the Authority along with the Chairmen of the three Performance Review Committees. 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 one of the Performance Review Committees.
- 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.

Each Performance Review Committee has a standard item relating to items of concern with performance that can be delegated to the Continuous Improvement Group for further consideration.

#### 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. Following a recommendation from the Wales Audit Office a request was made to our Internal Auditors for them to provide an audit opinion on our governance arrangements. However, they were of the view that it was difficult for them to provide this. A discussion on this issue was undertaken and a number of suggestions made by the Internal Auditors on how the Authority could improve its governance arrangements.

#### 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 Finance Manager is also a member of the Authority's Core Management Team.

#### The Executive

A new structure for decision making for officers has been agreed. This is based on a Senior Management Team of three members, a Leadership Team of thirteen officers and a Core Management Team of five officers supplemented on a rotating basis by other members of the Leadership Team. The Core Management Team meets weekly while the Leadership Team meets once a month.

A policy has been developed that identifies who can make decisions and how these are recorded.

## **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 dealt 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. The Monitoring Officer provides an Annual Report of his work to both the Standards Committee and the National Park Authority.

#### Public Sector Ombudsman for Wales

The Public Service Ombudsman for Wales has jurisdiction over the Authority's functions by virtue of the Public Service Ombudsman (Wales) Act 2005. He has not made any investigation into the Authority either in relation to any alleged breaches of the Members' Code of Conduct adopted by the Authority on 25 June 2008, or any alleged maladministration causing a member of the public hardship or injustice through maladministration or service failure on the part of Authority, under either Sections 16 or 21 of that Act.

#### Staff Members

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

#### Whistle Blowing Policy

In the Public Interest Disclosure Act 1998 the Government has given statutory protection to employees who 'blow the whistle' by speaking out against corruption and malpractice at work. It protects them against victimisation and dismissal. The Authority has approved and adopted such a policy in 2002 which was updated in 2009. In its commitment to the highest standards of openness, probity and accountability, it says "The authority encourages employees and others with serious concerns about the Authority's work to come forward and raise their concerns with the Authority". This policy is in the

public domain and can be found on  
<http://parcnet/staff/CodeFiles/StaffHandbook/StaffHandbookOverview.aspx>

## **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.

#### New Committee Structure

The Authority has implemented a new committee structure, with the most significant change being the replacement of one Performance Review Committee with the following three committees:

- Audit and Corporate Services Review Committee – looking at corporate risks, governance, budget management 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 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).

Members will review the success of these committees during 2012-2013.

#### 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 has looked at the success of the Sustainable Development Fund and the management of the Rights of Way network. In addition, there has been training for Members and Officer on scrutiny and Scrutiny Committees will be included as part of the organisations committee structure from 2012-2013 onwards.

### Staff Re-organisation

During the past year the Authority has undertaken an extensive staff re-organisation programme. This has seen a reduction in Heads of Service posts and the creation of the following five departments:

- Park Direction;
- Development Management;
- Discovery;
- Park Delivery; and
- Support Services

An extensive consultation process was undertaken with staff in planning and implementing the re-organisation and consideration was also given to external factors that will impact on the work of the Authority over the next few years.

### 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 2011/12 the audit concentrated on:

- Review of Previous Year Agreed Action Plan
- Activities and Events
- Information Governance – Freedom of Information and Data Protection
- Information Centres – Tenby and Newport
- Transport

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.

## **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.

#### 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.

The Authority has engaged the services of Pembrokeshire College to support staff undertaking performance 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 6<sup>th</sup> Form pupils.

The Authority has undertaken a survey of Community Councils relating to planning issues and also agreed to hold bi-annual meetings with PALC the umbrella body for Community Councils in Pembrokeshire.

The Authority has signed up to the WG’s ‘National Principles for Public Engagement in Wales’

<http://www.participationcymru.org.uk/advice/support/national-principles-for-public-engagement-in-wales/organisations-that-have-endorsed-the-national-principles-for-public-engagement>

### **IV. Significant Governance Issues**

<b>Governance Issues Identified</b>	<b>Action to be taken</b>
Strengthen its assessment of success by incorporating data from other sources, such as the State of Wildlife in Pembrokeshire report by the Pembrokeshire Biodiversity Partnership	The Authority will identify suitable benchmarking data, to improve its assessment of success. Examples include Best Companies Survey of Employee Engagement, benchmarking data from other National Park Authorities and suitable organisations and the use of external reports.
The Authority needs to review the	During 2012/13 the Authority will review the

options to ensure the effective use of Oriell y Parc in delivering park objectives.	service level agreement (SLA) between the Authority and the National Museum of Wales to ensure it represents good value for money in terms of its contributing towards the Authority's priorities.
The Authority's data on its improvement plan should include benchmarking data.	In 2012/13 the Authority shall adopt procedures to ensure that the Authority's improvement plan includes relevant comparisons of performance with other authorities
Strengthen its risk assessments to take account of the risks of impact on the delivery of priorities.	The Authority will review its Risk Management procedures and expand its risk register to encompass all relevant risks to delivering its priorities and to consider the risks which may impact on the National Park.
The Authority's policies, procedures and standing orders regulate the internal control and relevant and up to date	During 2012-2013 the Authority will review its policies, procedures and standing orders to ensure that they are up-to-date and fit for purpose. This will include considering the adoption of a formal Delegation of Authority.

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 \_\_\_\_\_