

Committee: **Governance & Audit Committee**
 Date of meeting: **18th October 2023**
 Report Subject: **Public Interest Report - Assurance Review Findings**
 Portfolio Holder: **Cllr Steve Thomas, Leader of the Council / Cabinet Member Corporate Overview and Performance**
 Report Submitted by: **Sarah King, Head of Democratic Services, Governance & Partnerships**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit /Committee/	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	12/10/23	09.10.23	18/10/23		19/10/23		24/10/23	

1. Purpose of the Report

- 1.1 To provide the findings (at Annex 1) from the Assurance Review which discharged the recommendation contained in the Auditor General for Wales' Public Interest Report on the *'Deficiencies in Blaenau Gwent County Borough Council's governance and oversight arrangements in respect of the Council owned company, Silent Valley Waste Services Limited'*.

2. Scope and Background

- 2.1 At a Special Meeting of the Council on 7 February 2022, consideration was given to the report of the Auditor General for Wales on the *'Deficiencies in Blaenau Gwent County Borough Council's governance and oversight arrangements in respect of the Council owned company, Silent Valley Waste Services Limited'*. The Council accepted the report in full and the one recommendation contained within it, namely: -

'The Council should commission a review to seek assurance that its governance and oversight arrangements in respect of other companies in which it had an interest were adequate and effective, and that the deficiencies identified in the report were not more widespread.'

3. Options for Recommendation

3.1 Options

Option 1- To note the findings of the Assurance Review and agree to the recommendations as outlined below.

Option 2 – To note the findings of the Assurance Review and make amendments/comments on the recommendations outlined below.

3.2 Recommendations

- A Link Officer is identified within the Council to establish regular liaison meetings with Gwent Archives and Gwent Crematoria by end March 2024
- Organise a Members Briefing on the operations and services provided by the Gwent Archives and Gwent Crematoria by end March 2024
- All relevant strategic documents, annual business plan and accounts for Gwent Archives and Gwent Crematoria are included in the Forward Work Programme for the Partnerships Scrutiny Committee for 2024-25, and Council where relevant, at least twice a year
- Develop the Terms of Reference into a 'governance toolkit' for use by officers across the Council for providing assurance against existing companies and in the event of the establishment of any new ones by end March 2024.

4. Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

- 4.1 One of the Corporate Plan's objectives relates to delivery of '*An ambitious and innovative council delivering quality services at the right time and in the right place*' – key to this is the Council having in place a sound and robust governance framework which it adheres to itself but that it can also show how companies who are delivering services on their behalf have the same assurances in place. This Assurance Review has allowed the Council to identify the governance and management frameworks in place for the companies within its scope.

5. Implications Against Each Option

5.1 ***Impact on Budget (short and long term impact)***

Finance representation was part of the Assurance Review Group. There are no direct financial implications because of this report and its recommendations. The review has been carried out utilising existing staff resources.

5.2 ***Risk including Mitigating Actions***

Any deficiencies identified as part of the review are subject to a recommendation within the report to ensure they are properly addressed. If the recommendations are not implemented these deficiencies will remain.

5.3 ***Legal***

Legal representation was part of the Assurance Review Group – there are no direct legal implications arising from this report and its recommendations.

5.4 **Human Resources**

The Head of Democratic Services, Governance & Partnerships led the review and drew on resources from across the Council, as appropriate. Expertise was drawn from Resources, Procurement and Legal & Compliance teams to supplement the capacity within the Performance & Governance team. Link officers within each of the companies within the scope of the review were also critical to its delivery.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

The Council's accounts list several companies in which the Council has an interest and who are currently delivering public services on our behalf. Therefore, the agreed list within the scope of the Review, as agreed and signed off by Audit Wales, was as follows: -

- Aneurin Leisure Trust
- Education Achievement Service (EAS)
- Gwent Archives
- Gwent Crematoria

The Review used a Code of Practice to develop its Terms of Reference to provide assurance that the main areas of oversight and governance were adequate and effective in terms of the companies within its scope – covering off the principles of good governance namely Accountability; Leadership; Integrity; Stewardship and Transparency'.

Various sets of information and data was provided by each of the companies to provide assurance against the Terms of Reference for the review.

6.2 **Expected outcome for the public**

The Assurance Review has allowed the Council to scrutinise the management, oversight and governance arrangements for each of the companies and identify any deficiencies. Recommendations have been made to address any deficiencies, when these have been endorsed and implemented this will provide a more robust governance framework and oversight for the Council, and ultimately improved information for communities in terms of service delivery and value for money.

6.3 **Involvement (consultation, engagement, participation)**

Officers involved and consulted with Audit Wales to ensure the scope and terms of reference for the review were appropriate. Link officers for the four companies were engaged throughout the review and participated in the provision of relevant information and data and attendance at several meetings.

6.4 **Thinking for the Long term (forward planning)**

6.4.1 The Assurance Review has allowed the Council to scrutinise the management, oversight and governance arrangements for each of the companies and identify any deficiencies. Recommendations have been made to address any deficiencies, when these have been endorsed and implemented this will provide a more robust governance framework and

oversight for the Council, and ultimately improved information for communities in terms of service delivery and value for money.

6.4.2 In addition, it is suggested that the Terms of Reference should act as a 'toolkit' for officers to use in the assurance process around the oversight and management of other companies in which the Council has an interest, or in the event of the establishment of any future company.

6.5 ***Preventative focus***

All of the recommendations have a focus on prevention – in terms of providing better oversight of the management of the companies and their governance arrangements; increased liaison between key link officers within the Council and relevant companies and Member Briefing sessions to increase the general awareness and understanding of the services delivered by the companies on behalf of Blaenau Gwent.

6.6 ***Collaboration / partnership working***

6.6.1 Officers worked with Audit Wales following the publication of the Public Interest Report to agree and sign off a Terms of Reference for the Assurance Review that was fit for purpose.

6.6.2 The Assurance Review Group worked in partnership with the four companies in the provision of information and data and to agree a set of recommendations.

6.7 ***Integration (across service areas)***

The Head of Democratic Services, Governance & Partnerships led the review and drew on resources from across the Council, as appropriate. Expertise was drawn from Resources, Procurement and Legal & Compliance teams to supplement the capacity within the Performance & Governance team, and link officers with each of the organisations listed within the scope was also important.

6.8 ***Decarbonisation and Reducing Carbon Emissions***

There are no direct implications in terms of the Council's Decarbonisation Plan or wider climate change considerations from this report.

6.9 ***Integrated Impact Assessment (IAA)***

No assessment is required for this report.

7. **Monitoring Arrangements**

The Partnerships Scrutiny Committee will ensure that relevant information and data from the four companies are scheduled onto its Forward Work Programme.

Background Documents /Electronic Links

Annex 1 – Report and Findings of the Assurance Review 2022-2023

Report and Findings of the Assurance Review 2022-2023

1. Background and Context

At a Special Meeting of the Council on 7 February 2022, consideration was given to the report of the Auditor General for Wales on the *'Deficiencies in Blaenau Gwent County Borough Council's governance and oversight arrangements in respect of the Council owned company, Silent Valley Waste Services Limited'*. The Council accepted the report in full and the one recommendation contained within it, namely: -

'The Council should commission a review to seek assurance that its governance and oversight arrangements in respect of other companies in which it had an interest were adequate and effective, and that the deficiencies identified in the report were not more widespread.'

It was also agreed that relevant Council officers would meet with Audit Wales with a view to jointly determining the approach and scope of commissioning the review to ensure it was acceptable to all concerned. The findings of the review would be reported back via the democratic process, as is the case for all formal Audit Wales recommendations.

2. Terms of Reference of the Review

Following the Special Council meeting to consider the report, relevant Council Officers met with Audit Wales to discuss and agree an approach to determine the Terms of Reference for the further Assurance Review to be undertaken, in line with the recommendation. The Terms of Reference and scope of the Review were based on current best practice and guidelines and agreed and signed off by Audit Wales.

The Organisation for Economic Cooperation & Development (OECD) helps define corporate governance by saying that it "involves a set of relationships between a company's management, its board, its shareholders and other stakeholders; and provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined".

To aid the drafting of the Terms of Reference, Audit Wales provided the *Code of Practice for 'The Governance of Council Interests in Companies'*. The purpose of the Code is to provide a reference point to Councils and interested parties in understanding the requirements of a Council in setting up a local authority company and how the governance arrangements for that company should work once set up. The Council has a duty to ensure that public resources within its stewardship are safeguarded and that proper arrangements are in place to ensure that public money is well-spent. That duty does not simply apply to resources used directly by the Council, it applies where the Council has provided resources to other companies and/or organisations to deliver public services.

3. Scope of the Review

The Council's accounts list several companies in which the Council has an interest and who are currently delivering public services on our behalf. Therefore, the agreed list within the scope of the Review, as agreed and signed off by Audit Wales, was as follows: -

- **Aneurin Leisure Trust**
- **Education Achievement Service (EAS)**
- **Gwent Archives**
- **Gwent Crematoria**

The Review used the Code of Practice cited above to provide assurance that the following main areas of oversight and governance were adequate and effective in terms of the companies within its scope – covering off the principles of good governance namely Accountability; Leadership; Integrity; Stewardship and Transparency.

The Areas of Oversight and Governance within the scope of the Review were as follows: -

- To review the legal framework and documentation for the establishment of the company
- To review the oversight and governance framework to manage the key relationship between the company, the Council (in its executive role holding the company to account) and as shareholder - ensuring decision making is clear and transparent
- To review the mechanisms to assess and scrutinise operational and financial performance
- To review the position of compliance with all relevant procurement regulations
- To review the arrangements to manage and mitigate conflicts of interest
- To review the recruitment and appointments system to ensure a robust and competitive process is in place (& associated remuneration arrangements)
- To review the arrangements for Members appointed as company directors to provide relevant feedback/information back into the democratic processes of the Council
- To review the primary responsibility for liaison between the company and the Council and for access to information

4. Findings

The findings from the Review are being reported back through the Council's democratic processes, to the Governance & Audit Committee on 18 October, as is the case for all formal Audit Wales recommendations, the report will also go to Partnerships Scrutiny Committee on 19 October and Council on 24 October.

5. Resources

The Head of Democratic Services, Governance & Partnerships lead the review and drew on resources from across the Council, as appropriate. Expertise was drawn from Resources, Procurement and Legal & Compliance teams to supplement the capacity within the Performance & Governance team, and link officers with each of the organisations listed within the scope was also important. The SV Assurance Group was established and supported throughout by Business Support, to work through the terms of reference for each of the companies within the scope of the review. The Group met on numerous occasions to scrutinise the information provided by the companies, clarify points of interest with relevant link officers and agree a set of recommendations and further action.

The agreed approach was for each of the link officers for the companies to provide all relevant documentation and information in respect of each area of oversight and governance outlined in the Terms of Reference. This information was then provided to the Assurance Group for consideration and further scrutiny. Link officers for each of the companies were then invited to attend a meeting of the Assurance Group to go through the information provided and add any clarification and answer any queries, as appropriate.

6. Main findings of the Review

One thing to note in respect of the four companies within the scope of the review, none of the positions as representatives of the Council on these companies are remunerated. All the relevant information and documents provided by each of the four companies against each element of the Terms of Reference has been collated and stored on file, for reference.

6.1 Education Achievement Service (EAS)

The company was established on a regional footprint across Gwent in 2012 to aid school governance and improvement and the Council is a partner alongside the other four local authorities in the area. The information provided in respect of the establishment of the company and its current governance structure was sound. Relevant information from the company covering its business and financial operations were available to Members and relevant EAS reports were on the Forward Work Programme for the Partnerships Scrutiny Committee. Information was provided for each of the areas of governance and oversight within the Terms of Reference and provided a satisfactory level of assurance. There is a link officer in place within the Council.

No further action or recommendations.

6.2 Aneurin Leisure Trust

The company was established in 2014 and a subsequent large scale review of its governance structures and management had taken place. As part of the review the Council's link officer role was further considered and strengthened, and this has been demonstrated on feedback and information sharing, noting that this is a

continuous process. Relevant information from the company covering its business and financial operations were available to Members and relevant ALT reports were on the Forward Work Programme for the Partnerships Scrutiny Committee. Information was provided for each of the areas of governance and oversight within the Terms of Reference and provided a satisfactory level of assurance. There is a link officer in place within the Council.

No further action or recommendations.

6.3 Gwent Archives

The Gwent Archives was established as a Joint Committee on a regional footprint across Gwent and is funded by the five local authorities. The lead authority for the Gwent Archives is Torfaen Council. The information provided in respect of the establishment of the company and its current governance structure was sound. Information was provided for each of the areas of governance and oversight within the Terms of Reference and provided a satisfactory level of assurance that procedures for the company are robust. Procurement and recruitment follow the established procedures within the host authority, Torfaen Council.

However, whilst relevant information from the company covering its business and financial operations was available on Torfaen Council's website there is currently no clear mechanism for this information to be fed back into Blaenau Gwent Council's democratic process. The company does not feature as part of any Scrutiny Committee at present and there is no link officer within the Council and no officer level meetings taking place. There is also no mechanism for the County Archivist to report into the Council. The lease of the building is the only contract and communication that the Archives have with the Council at present.

6.3.1 Recommendation –

- A Link Officer is identified within the Council to establish regular liaison meetings with Lisa Snook, link officer for Gwent Archives (in the host authority, Torfaen Council)
- All relevant strategic documents, annual business plan and accounts (including an Annual Report from the County Archivist) are included in the Forward Work Programme for the Partnerships Scrutiny Committee, and Council where relevant at least twice a year
- Organise a Members Briefing on the Gwent Archives and its operations and services.

6.4 Gwent Crematoria

The Gwent Crematoria was established as a Joint Committee on a regional footprint across Gwent and is funded by the five local authorities. The lead authority for the Gwent Crematoria is Newport Council. The information provided in respect of the establishment of the company and its current governance structure was sound, although it was agreed that the Joint Agreement needed updating and would be taken forward by Newport Council in due course. Information was provided for each

of the areas of governance and oversight within the Terms of Reference and provided a satisfactory level of assurance that procedures for the company are robust. Procurement and recruitment follow the established procedures within the host authority, Newport Council.

However, whilst relevant information from the company covering its business and financial operations was available on Newport Council's website there is currently no clear mechanism for this information to be fed back into Blaenau Gwent Council's democratic process. The company does not feature as part of any Scrutiny Committee at present and there is no link officer within the Council and no officer level meetings taking place. The Chief Officer, Resources currently receives limited financial information during the year.

6.4.1 Recommendation –

- A Link Officer is identified within the Council to establish regular liaison meetings with Leanne Rowlands, link officer for Gwent Crematoria (in the host authority, Newport Council)
- All relevant strategic documents, annual business plan and accounts are included in the Forward Work Programme for the Partnerships Scrutiny Committee, and Council where relevant at least twice a year
- Organise a Members Briefing on the Gwent Crematoria and its operations and services.

7. **Best Practice & Learning**

The Assurance Review Group has suggested that the format used to undertake the Review i.e. the use of the agreed Terms of Reference to determine the baseline of information that was needed to provide a sound level of assurance could be developed into a 'toolkit' for future use across the Council.

The toolkit could be kept up to date and refreshed to consider any new developments in terms of company governance and oversight rules and be used in the assurance process around the oversight and management of other companies in which the Council has an interest, or in the event of the establishment of any future company.

Finally, as part of the continuous improvement in our Scrutiny function, we should continue to review and monitor the scope of the Partnerships Scrutiny Committee to ensure it is fit for purpose and encapsulates any new strategic partnerships and/or companies in which the Council has a significant interest.

7.1 **Recommendation** –

- Develop the existing Terms of Reference into a 'governance toolkit' for use by officers across the Council for providing assurance against existing companies and in the event of the establishment of any new ones