



To: Members of the Corporate
Governance Committee

Date: 6 November 2012

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Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 14 NOVEMBER 2012** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams
Head of Legal and Democratic Services

AGENDA

PART 1 - THE PRESS AND PUBLIC ARE INVITED TO ATTEND THIS PART OF THE MEETING

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS

Notice of items, which in the opinion of the Chair should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act 1972.

4 MINUTES (Pages 5 - 10)

To receive the minutes of the Corporate Governance Meeting held on 26th September, 2012 (copy enclosed).

9.35am – 9.40am

5 WAO IMPROVEMENT ASSESSMENT LETTER (Pages 11 - 20)

To consider a report by the Corporate Improvement Manager (copy enclosed) to provide information regarding one of the key external regulatory reports received by the Council each year.

9.40am – 10.00am

6 INTERNAL AUDIT PROGRESS REPORT (Pages 21 - 48)

To consider a report by the head of Internal Audit (copy enclosed) which provides an update on the latest progress of the Internal Audit Service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

10.00am – 10.15am

7 ANNUAL "YOUR VOICE" REPORT (Pages 49 - 54)

To consider a report by the Head of Customers and Education Support (copy enclosed) providing the Committee with an overview of complaints and compliments received by Denbighshire County Council during 2011/2012 and how the Council performed in terms of handling feedback.

10.15am – 10.40am

10.40am – 10.55am Break

8 TREASURY MANAGEMENT UPDATE (Pages 55 - 64)

To consider a report by the Lead Member for Finance and Assets (copy enclosed) providing details of the Council's TM activities during 2012/2013 and provide background on investments and the annual TM Strategy Statement.

10.55am – 11.30am

9 CORPORATE GOVERNANCE COMMITTEE FORWARD WORK PROGRAMME (Pages 65 - 66)

To consider the Corporate Governance Committee Forward Work Programme (copy enclosed).

11.30am – 11.40am

PART 2 - CONFIDENTIAL ITEMS

EXCLUSION OF PRESS AND PUBLIC

It is recommended in accordance with Section 100A(4) of the Local Government Act 1972 that the Press and Public be excluded from the meeting during consideration of the following item of business because it is likely that exempt information (as defined in Paragraphs 12 and 18 of Part 4 of Schedule 12A of the Act) would be disclosed.

10 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) (Pages 67 - 96)

To consider a report by the Monitoring Officer/Head of Legal and Democratic Services (copy enclosed) to provide the Corporate Governance Committee with two external Inspection Reports from the Office of Surveillance Commissioners and also the Interception of Communications Commissioner's Office. Also to provide the Committee with information about the Council's use of its powers under the Regulatory of Investigatory Powers Act 2000 (RIPA).

11.40am – 12.00 noon

MEMBERSHIP

Councillors

Raymond Bartley
Stuart Davies
Martyn Holland

Gwyneth Kensler
Jason McLellan
David Simmons

Lay Member

Paul Whitham

COPIES TO:

All Councillors for information
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CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in CONFERENCE ROOM 1b, COUNTY HALL, RUTHIN on Wednesday, 26 September 2012 at 9.30 am.

PRESENT

Councillors Stuart Davies, Martyn Holland and Jason McLellan (Chair) and Paul Whitham (Lay Member).

Councillors Bill Tasker and Julian Thompson-Hill attended as Observers.

ALSO PRESENT

Head of Legal and Democratic Services (GW), Head of Finance and Assets (PM), Chief Accountant (RW), Capital Finance Manager (VH), Technical Accounts (SJ), Wales Audit Office Representatives (DO, AV and NR) and Committee Administrator (CIW).

1 APOLOGIES

Apologies for absence were received from Councillors Raymond Bartley, Gwyneth Kensler and David Simmons

2 DECLARATION OF INTERESTS

RESOLVED – that no Members declared any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on 5th September, 2012 were submitted.

Matters arising:-

6. Internal Audit Progress Report - In response to a question from Councillor M.L. Holland regarding the submission to the Committee of the final audit report in respect of Home to School Transport Services, the Head of Finance and Assets (HFA) explained that the report, which was currently being finalised, would be circulated to Members of the Corporate Governance Committee when concluded.

8. Treasury Management Report – In reply to a question from Mr P. Whitham regarding training provision in respect of treasury management, the HFA explained

that a report, or training session, would be provided on a quarterly basis with the next session or report scheduled for December, 2012.

RESOLVED – *that, subject to the above, the minutes be received and approved as a true and correct record.*

5 STATEMENT OF ACCOUNTS 2011/2012

A copy of a report by the Head of Finance and Assets, which sought Members' approval of the Council's Statement of Accounts 2011/12, had been circulated at the meeting.

The Head of Finance and Assets explained that the Council had a statutory duty to produce a statement of accounts which complied with approved accounting standards. The Financial Statements for 2011/12 had been approved, subject to audit, by the Chief Finance Officer in June, 2012. The Accounts and Audit Regulations require that the Council formally approves the audited accounts, which contain the external auditor's opinion, by the end of September, 2012. Formal approval of the audited accounts, by elected Members on behalf of the Council, had been delegated to the Corporate Governance Committee. It was confirmed that the accounts had been made available for audit and been open to public inspection. The Wales Audit Office had submitted an Audit of the Financial Statements Report which included an overview of their findings and an assessment of the process.

The Statement of Accounts, which comprised of 149 pages, had been produced in compliance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting. In response to a question from Councillor M.L. Holland, the Chief Accountant provided details pertaining to the IFRS and explained that compliance with IFRS had been a requirement since 2010/11 with the continued introduction of new standards or requirements. The most notable change for the 2011/12 accounts had been the introduction of a new class of assets referred to as heritage assets, and the Council had in accordance amended its accounting policies and disclosures within the accounts in compliance with the Code of Practice.

The IFRS accounting standards had been adopted across the world. However, as some areas of public sector accounting treatment diverged from IFRS, as in legislative requirements, International Public Sector Accounting Standards had been introduced to address these provisions.

The Wales Audit Office had worked closely with the Finance team to ensure the timely and successful finalisation of the audit. The audit process had resulted in some technical adjustments, other corrections and amendments and details had been included in the Auditor's Report.

The Statement of Accounts had again received an unqualified audit opinion which had been a significant achievement given the scale and complexity of the accounts. There had been a major exercise in 2010/11 to successfully produce accounts compliant with new international standards, and the process of implementing IFRS

had continued as additional requirements were introduced. Internal procedures would be reviewed annually to ensure that the Council continued to deliver high quality financial statements.

The Acting Chief Accountant highlighted the complex nature of the accounts and with the aid of a power point presentation provided an overview of the processes adopted. This included a detailed summary in respect of the following key areas and issues pertaining to the Statement of Accounts:-

- Overview
- Accounts
- Main Financial Statements
- Process Adopted
- Link to Revenue Budgets
- Key Numbers and Notes
- Audit Process
- Questions

The presentation provided an overview of the main changes which included the introduction of the new class of heritage assets. It was confirmed that the Council had in accordance amended its accounting policies and disclosures within the accounts in compliance with the Code of Practice.

In reply to questions from Members of the Committee, the Head of Finance and Assets provided the following responses:-

- copies of the draft accounts would in future be presented on an annual basis to Members of the Corporate Governance Committee.
- hard copies of the reports for 2011/12, and for future years, could be provided for Members in addition to the electronic versions.
- an outline was provided of the difficulties encountered in providing a valuation in respect of heritage assets.
- details provided in relation to the significance of budgeted reserves in relation to the final accounts and provisions for bad debts.
- in relation to the provision of assurances regarding consistency of entries in the asset register and inventories, particular reference being made to heritage assets and specific artefacts held by the Council. It was explained that there was now a reliance on the provision of detailed accurate information from the professionals within the Museum Service, together with the assistance of the Internal Audit process.

A copy of the Audit of the Financial Statement Report had been circulated to Members of the Committee. The Council's External Auditors, Wales Audit Office, presented the findings of their audit work in relation to the Statement of Accounts 2011/2012 and provided a detailed summary which highlighted the following issues and areas:-

- Provision of an opinion on whether the financial statements provided a true and fair view of the financial position of the Council at the 31st March, 2012, and its income and expenditure for the year.
- Audit work in respect of the draft financial statements for the year ended 31st March, 2012 having been substantially completed.
- Reporting of the more significant issues arising from the audit, which the audit team had already discussed with the Head of Finance and Assets.
- The adoption of the concept of materiality to identify material misstatements in the financial statements.
- Details of the quantitative levels at which misstatements were judged.
- To issue an unqualified audit report on Denbighshire's financial statements and to report issues prior to their approval.
- The opinion of the Wales Audit Office being that Denbighshire's accounts having represented a true view of the financial position, balances and transactions.
- It being the intention to issue an unqualified audit report on the financial statements following the provision of a Letter of Representation based on that set out in Appendix 1 to the report.
- The proposed audit report having been set out in Appendix 2.
- There being no misstatements identified in the financial statements, which remain uncorrected.
- Misstatements corrected by management, which due to their relevance in the financial reporting process, had been set out with explanations in Appendix 3.
- Matters considered both qualitative and quantitative relating to the accounts had been included in the report.
- There being no other significant issues arising from the audit.
- Reference being made to a cut-off error relating to the Capital Programme, which it was confirmed would be inevitability due to the closure of the creditor system on a given date.

The Wales Audit Office representatives thanked the Denbighshire Finance Team for the work undertaken in producing the Council's Statement of Accounts and for their assistance and support. The WAO confirmed the high quality of the accounts which had again received an unqualified audit opinion.

In response to a matter raised by Councillor M.L. Holland, it was confirmed that there was no issues of concern regarding the Councils' accounting process, records or transactions.

The Head of Finance and Assets paid tribute to the hard and challenging work undertaken by the Finance Team in producing the final set of accounts, and highlighted the significant increase in the amount of detail required in compiling with the continuing changes to the IFRS.

During the ensuing discussion the Chair and Members of the Committee thanked the Finance Team for their hard work and the quality and standard of the Statement of Accounts produced.

RESOLVED – that:-

*(a) the audited Statement of Accounts 2011/2012, Appendix 1 to the report, be approved and signed by the Chair of the Corporate Governance Committee, and
(b) the Chair of the Corporate Governance Committee and Chief Finance Officer sign the Letter of Representation.*

Meeting ended at 10.30 a.m.

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Report To: Corporate Governance Committee

Date of Meeting: 14 November 2012

Lead Member / Officer: Cllr Barbara Smith / Alan Smith

Report Author: Tony Ward

Title: Denbighshire County Council Improvement Assessment Letter

1. What is the report about?

This report presents the Improvement Assessment Letter for Denbighshire County Council, issued by the Wales Audit Office (WAO) on 17th September 2012. The letter is attached at Appendix I.

2. What is the reason for making this report?

This report provides information regarding one of the key external regulatory reports received by the council each year.

3. What are the Recommendations?

That the committee consider the report, and highlight any issues that it feels should be raised with the Performance Scrutiny Committee when the report is discussed there on 29th November 2012.

4. Report details.

The Improvement Assessment is the main mechanism for the WAO to report its assessment of the council's performance and prospects for improvement. The latest Improvement Assessment Letter was issued on 17th September 2012. Although there are no formal recommendations in the letter, Members need to have an opportunity to discuss the letter in order to decide whether there any particular aspects of performance that require further scrutiny.

The next Improvement Assessment Letter is due to be issued by the WAO before the end of November 2012. This letter should be presented to this committee at its meeting on 27th February 2013.

5. How does the report contribute to the Corporate Priorities?

The Annual Improvement Letter provides an assessment of the council's performance and also of its prospects for improvement. A key element of the information considered by the WAO when drafting the letter is the council's performance in relation to delivering the priorities in its Corporate Plan. The WAO is required to formally assess the council's Annual Performance Report and its

Corporate Plan. Neither document was available for assessment prior to the publication of this Improvement Assessment Letter, as the draft versions of both documents were discussed (and approved) by Council on 9th October 2012. The WAO will therefore include an evaluation of both documents in its Improvement Assessment Update Letter which is due to be published before the end of November 2012.

6. What will it cost and how will it affect other services?

There are no implications for any particular service areas.

7. What consultations have been carried out and has an Equality Impact Assessment Screening been undertaken?

The WAO undertook a number of interviews with relevant officers and Elected Members before drafting the Improvement Assessment Letter. The draft report was shared with the council, and feedback was requested, prior to publication.

It has not been necessary to undertake an Equality Impact Assessment of this report, as it does not require a decision that will impact on staff or service users. However, an equality impact assessment was undertaken on the council's Corporate Plan 2012-17, and this will be taken into account in the WAO Improvement Assessment Update Letter which is due to be published before the end of November 2012.

8. Chief Finance Officer Statement

There are no obvious significant financial implications arising from the report.

9. What risks are there and is there anything we can do to reduce them?

This report presents no new risks for the council.

10. Power to make the Decision

This report is for information, rather than decision.



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Dr Mohammed Mehmet
Chief Executive
Denbighshire County Council
County Hall
Wynnstay Road
Ruthin
Denbighshire
LL15 1YN

Date 17 September 2012
Our reference 494A2012
Your reference
Tel No
E-mail
Pages 1 of 7

Dear Mohammed

Improvement Assessment

I am required, under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether Denbighshire County Council has discharged its duties and met the requirements of the Measure.

This letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement planning;
- my views on the Council's compliance with requirements to make arrangements to secure continuous improvement, based on work carried out to date by the Wales Audit Office and relevant regulators, including:
 - the Council's progress on areas for improvement and recommendations identified in my previous assessments;
 - any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
 - a brief summary of any reports of relevant regulators issued since my last report.
- my further proposals for improvement and/or recommendations; and
- updates to the Wales Audit Office work plan and timetable for delivering my Improvement Assessment work.

I shall update my views during the year and will provide a further letter by the end of November 2012.

I am unable to state whether the Council has discharged its improvement planning duties under the Measure as the Council has not yet published its Improvement Plan for this year

Following the local government elections in May 2012 the Council appointed a new Cabinet. The composition of the Cabinet has changed but remains politically balanced, in accordance with the Council's constitution. Labour councillors now form the opposition group.

The Council is currently developing a new Corporate Plan and determining whether it can deliver all of its proposed seven draft priorities by 2017. Councillors are leading these discussions, which are now subject to further public consultation, and the Council anticipates the Corporate Plan will be agreed in the autumn of 2012. The Council is undertaking a considerable amount of consultation and engagement with residents and its staff including:

- a Residents' Survey: 2,256 households responded to a survey;
- a Public Survey: 1,228 people responded to a survey on the Council's website and in leisure centres, libraries, and Council reception areas; and
- workshops with young people.

I shall provide a further letter by the end of November 2012 which will assess whether the Council has discharged its improvement planning duties under the Measure and review the goals (including but by no means limited to performance indicators and targets) that the Council has set for itself in order to monitor its delivery of its improvement objectives.

Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators:

I believe that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year

I have reached this conclusion because:

- the Council is making reasonable progress in both areas for improvement identified in my last Annual Improvement Report;
- the Council's current arrangements for developing, using and supporting technology are likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase One of its ICT strategy;

- an inspection by the Care and Social Services Inspectorate Wales (the CSSIW) concluded that the Council is providing responsive and timely assessment to most of the adults presenting with social care needs and is responding to the challenges experienced in implementing and further developing the Council's strategy; and
- Estyn has judged that the Council provides good quality education services for children and young people and that prospects for improvement are good.

The Council is making reasonable progress in both areas for improvement identified in my last Annual Improvement Report

I made two proposals for improvement in my Annual Improvement Report, published in January 2012, and also noted some areas where we would undertake further work. Progress on these matters is summarised below and in Appendix 1:

- I proposed that the Council should use its annual review of its governance arrangements to provide a more robust self-assessment of their effectiveness. The Council undertook a corporate governance review as part of the process to update and agree its *Annual Governance Statement*. The review found that the Council had adequate arrangements in place for meeting the six principles in the framework but the review of the effectiveness of the arrangements identified three significant governance risks:
 - Partnership governance
 - Information governance
 - Elected member performance and development

The Council is drafting its new Annual Governance Statement. We shall be conducting further work at all councils in Wales on the production of the Annual Governance Statements and I shall produce a national report in due course. I shall provide further feedback to the Council later this year.

- I proposed that, by September 2012, the Council should establish in more detail how it will support the *Rhyl Going Forward* delivery plan. Managerial responsibility within the Council for *Rhyl Going Forward* is undergoing a period of transition as part of the reorganisation of duties amongst the Council's heads of service whilst, at senior level, the newly appointed Corporate Director of Economic and Community Ambition will assume responsibility for economic development. I shall provide a further assessment of progress with regard to the *Rhyl Going Forward* delivery plan later in the year, including an evaluation of :
 - how the plan fits with the county regeneration programme;
 - the extent to which the plan confirms the staff and financial resources that will be available to support delivery; and
 - the arrangements for periodic evaluation of progress.

The Council's current arrangements for developing, using and supporting technology are likely to support continuous improvement once the Council further strengthens its ICT governance arrangements and successfully completes Phase One of its ICT strategy

I came to this conclusion because:

The Council has focused on developing customer access channels which are starting to perform well, but is not fully exploiting the potential of technology to deliver service transformation and efficiencies.

ICT governance arrangements do not fully align with and support the delivery of the Council's improvement and transformation priorities and there are weaknesses in technology resourcing arrangements.

An inspection by the Care and Social Services Inspectorate Wales (the CSSIW) concluded that the Council is providing responsive and timely assessment to most of the adults presenting with social care needs and is responding to the challenges experienced in implementing and further developing the Council's strategy

The CSSIW undertook an inspection of the arrangements for the assessment and care management of adults referred to the Council's Social Services. The report was published in June 2012.

The main conclusions are:

- The service model adopted by the Council is enabling it to provide a responsive and timely assessment to most of the adults presenting with social care needs.
- The Council is able to provide considerable evidence of service-user satisfaction. New practices are being introduced to try to ensure that service-user feedback is embedded in social services interventions and used more effectively to inform performance management and service evaluation and development.
- The Council's strategy is to support the development of a range of services and mainstream community facilities to meet need in a way which encourages independence. Whilst a range of service is being developed, challenges remain in relation to certain specialised areas, such as increasing direct payments.

Estyn has judged that the Council provides good quality education services for children and young people and that prospects for further improvement are good

Her Majesty's Inspectorate for Education and Training in Wales (Estyn) undertook an inspection of the Council's education services for children and young people. The report was published in February 2012.

The main conclusions are that:

- pupils' overall performance is good and has improved in all key stages, particularly in key stage 4;
- performance has improved against the Welsh Government's expected benchmarks based on free-school-meal entitlement;
- the number of exclusions has reduced and the overall number of days lost to exclusion is the lowest in Wales;
- the Council has very good arrangements to support and challenge schools and knows its schools very well;
- support for school improvement, additional learning needs and social inclusion are all good;
- the number of Denbighshire schools requiring follow-up after an inspection is among the lowest in Wales;
- the Council has made good progress in delivering its Modernising Education programme;
- the culture of very strong leadership from elected members and senior officers has driven significant change and improvement at a good pace; and
- the prospects for improvement are good.

Further proposals for improvement/recommendations

I make no new recommendations or proposals for improvement in this letter. We will continue to monitor and report on the progress made by the Council in implementing the proposals set out in my previous reports and letters.

Updates to the work plan and timetable

My Improvement Assessment Team will keep the Council informed of the detailed arrangements for the delivery of my assessment work. The regularly updated work plan and timetable provides more detail on the work being delivered during this year's assessment and in particular how we will add value by focusing on jointly identified areas or services.

The work plan and timetable takes account of my consultation with improvement authorities over my proposals for 2012-13 performance audit work. In particular, I shall be asking my Improvement Assessment Team to consider during the year the reliance that we can place upon the self-assessment processes (including your review of governance in producing the Annual Governance Statement and your Annual Performance Report). I shall comment on this approach in my Annual Improvement Report.

I am grateful to the Council for the way in which it has helped to facilitate our work. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Communities

Huw Lloyd Jones – Manager

Gwilym Bury – Performance Audit Lead

Appendix 1

Proposals for improvement made in the Annual Improvement Report 2012	Progress
<p>P1 The Council, in common with other authorities in Wales, should use its annual review of governance arrangements to provide a more robust self-assessment of their effectiveness.</p>	<p>I proposed that the Council should use its annual review of its governance arrangements to provide a more robust self-assessment of their effectiveness. The Council undertook a corporate governance review as part of the process to update and agree its <i>Annual Governance Statement</i>. The review found that the Council had adequate arrangements in place for meeting the six principles in the framework but the review of the effectiveness of the arrangements identified three significant governance risks:</p> <ul style="list-style-type: none"> • Partnership governance • Information governance • Elected member performance and development <p>The Council is drafting its new Annual Governance Statement. We shall be conducting further work at all councils in Wales on the production of the Annual Governance Statements and I shall produce a national report in due course. I shall provide further feedback to the Council later this year.</p>
<p>P2 By September 2012 the Council should establish how it will support the Rhyl Going Forward delivery plan including:</p> <ul style="list-style-type: none"> • showing how it fits with the county regeneration programme; • confirming the staff and financial resources that will be available to support delivery; and • arrangements for periodic evaluation of progress. 	<p>I proposed that, by September 2012, the Council should establish in more detail how it will support the <i>Rhyl Going Forward</i> delivery plan. Managerial responsibility within the Council for <i>Rhyl Going Forward</i> is undergoing a period of transition as part of the reorganisation of duties amongst the Council's heads of service whilst, at senior level, the newly appointed Corporate Director of Economic and Community Ambition will assume responsibility for economic development. I shall provide a further assessment of progress with regard to the <i>Rhyl Going Forward</i> delivery plan later in the year.</p>

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Report To: Corporate Governance Committee

Date of Meeting: 14 November 2012

Report Author: Head of Internal Audit Services

Title: Internal Audit Progress Report

1. What is the report about?

This report updates the Committee on the latest progress of the Internal Audit service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. It also proposes a revised Internal Audit Operational Plan for 2012/13.

2. What is the reason for making this report?

To bring Members up to date regarding:

- delivery of our Operational Plan for 2012/13
- a revised Operational Plan for 2012/13
- recent Internal Audit reports issued
- management's response to issues we have raised
- Internal Audit's performance

3. What are the Recommendations?

- Committee considers and comments on Internal Audit's progress and performance to date in 2012/13
- Committee considers and approves our revised Operational Plan 2012/13
- Committee considers and comments on recent Internal Audit reports issued
- Committee considers the responses to our follow up work

4. Internal Audit Progress

Delivery of the Internal Audit Operational Plan 2012/13

- 4.1. As corporate and service risks change within the Council, Internal Audit considers its strategy and operational plan to ensure that it is still relevant and addressing priority areas. Following a series of meetings with service heads, Appendix 1 includes a proposed revision to our Internal Audit Operational Plan 2012/13, along with the usual progress report.
- 4.2. The table includes the original planned days, revised planned days and explanations of any changes. It also provides a breakdown of our work during 2012/13, with assurance scores and number of issues raised for the completed reviews.

Summary of Recent Internal Audit Reports

4.3. Our reports use colours for assurance ratings as follows:

Green	High Assurance	Risks and controls well managed
Yellow	Medium Assurance	Risks identified but are containable at service level
Amber	Low Assurance	Risks identified that require meeting with Director/Lead Member
Red	No Assurance	Significant risks identified that require member / officer case conference

4.4. Since my report in September 2012, we have issued the following reports.

Audit Report	Audit Opinion	Issues Raised			Comments
		Critical Risk (Red)	Major Risk (Amber)	Moderate Risk (Yellow)	
Higher Education Student Finance	Green	0	0	1	Summary Overview Report
Revenues & Benefits Service	Green	0	0	4	
Home to School Transport	Yellow	1	2	10	Joint report with Conwy County Borough Council
Translation Service	Yellow	0	1	1	
Business Continuity Planning	Amber	0	1	0	Summary Overview Report
Strategic Human Resources	Amber	0	1	10	

Management's response to issues raised by Internal Audit

- 4.5. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.
- 4.6. We report all instances where management fails to respond to our follow up work or where they exceed the agreed implementation date by more than three months. This Committee decides whether it needs to take further action, for example, by calling the relevant people to its next meeting to explain lack of progress.
- 4.7. There are currently no actions exceeding the three-month deadline and no responses outstanding to report to this Committee.

Internal Audit Performance – Key Measures

Measure - Review 100% of agreed S151 Assurance areas in Operational Audit Plan by 31 March 2013

4.8. So far, we have completed 40% of the planned projects, with others programmed for later in the financial year.

Measure - Review 100% of agreed Corporate Governance Assurance areas in Operational Audit Plan by 31 March 2013

4.9. Work is ongoing on the Corporate Governance Framework throughout the year. We have commenced a project on Performance Management and will review risk management in the second half of the year.

Measure - Review 100% of agreed High Corporate Risk Assurance areas in Operational Audit Plan by 31 March 2013

4.10. There are currently six high risks in the Corporate Risk Register. We have completed work in two areas, work is in progress in one area and the others programmed for later in the financial year.

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Appendix 1

Internal Audit Work 2012/13 – progress as at 21 October 2012 and Revised Strategy to 31 March 2013

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Financial Assurance									
Financial Systems – Rhyl based	60	40	37	Complete	Green	0	0	4	Project scope reduced
Financial Systems – Ruthin based	40	30	0	Jan/Feb13					
Financial Systems Assurance Testing (IDEA) 2011-12		20	20	Complete	Green	0	0	0	Project took longer than planned
Programme & Project Management	15	15	3	In progress					
Procurement	15	15	0	Mar 13					
Sub-totals	130	120	60						
Grant & Other Certification Assurance									
Sustainability/Climate Change	12	20	18	In progress					Project took longer than planned
Welsh Government (WG) Education Grant Certification	25	20							Projects took less time than planned
- Breakfast initiative Grant			4	Complete	Green	0	0	0	
- Thinking & Assessment for Learning Grant			10	In progress					
WG 6 th Form Funding – Ysgol Dinas Bran, Llangollen	10	12	12	Complete	Green	0	0	2	Project took longer than planned
WG Student Finance Certification	15	6	6	Complete	Green	0	0	1	Project scope reduced due to WAO work
WG Adult Education Certification	8	9	9	Complete	Green	0	0	0	Project took longer than planned
Sub-totals	70	67	59						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Corporate Governance Assurance									
Risk Management	20	20	0	Jan 13					
Corporate Governance Framework	30	30	4	In progress					
Performance Management	10	10	9	In progress					
Sub-totals	60	60	13						
High Corporate Risk Assurance									
The risk of a serious safeguarding error where the Council has responsibility	10	15	14	In progress					Project took longer than planned
The risk that we are unable to develop the staff and management capability to deliver the change agenda	5	5	0	Dec 12					
The risk that the time and effort invested in collaboration is disproportionate to the benefits realised	15	15	0	Dec 12					
The risk that the economic environment worsens beyond current expectations, leading to additional demand on services and reduced income	5	5	0	Nov 12					
The risk that strategic ICT infrastructure does not enable improvement and support change	10	10	0	Dec 12					
The risk that our asset portfolio becomes an unmanageable liability and an obstacle to strategic planning	5	4	4	Complete	Green	0	0	0	Project took less time than planned
Sub-totals	50	54	18						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Adult Services									
Intake & Reablement	10	0	0	Deleted					Assurance from CSSIW
Learning Disabilities & POVA	15	0	0	Deleted					Assurance from peer review
Direct Care Costs & Placements	15	15	1	Preparation					
Efficiency of Charging Processes	0	20	0	To be programmed					Issue identified from review of low value invoices raised by the service
Sub-totals	40	35	1						
Business Planning & Performance									
Equalities	15	15	0	To be programmed					
Information Governance	10	0	0	Deleted					Postponed until 2013/14 once new project in progress
Sub-totals	25	15	0						
Children's Services									
Children's Services Information Management	35	0	0	Deleted					Work carried out within service on information management
Out of County Placements	0	10	0	To be programmed					Review of high value payments requested by HoS
Fostering Service	0	15	0	To be programmed					Service review requested by HoS
Youth Offending Team	0	12	0	To be programmed					Service review requested by HoS
Lone Working Practices	0	5	5	Complete					2011/12 employee survey completion
Sub-totals	35	42	5						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Customers & Education Support									
Cashiers Services	5	5	1	In progress					
Modernising Education	10	10	0	To be programmed					
Sub-totals	15	15	1						
Education Services									
School Improvement	60	30							Reduced days due to Estyn assurance
- School Balances			5	Complete					
- Travel costs			0	Nov 12					
Rhyl High School	15	15	10	In progress					
Sub-totals	75	45	15						
Environment									
Trade Refuse	25	26	25	Draft report					Project took longer than planned
Sign Shop	20	20	0	To be programmed					
Countryside Services	25	25	0	Jan 13					
Public Realm	40	45	42	Draft report					Project took longer than planned
Corporate Health & Safety	15	10	9	Draft report					Project took less time than planned
Sub-totals	125	126	76						
Finance & Assets									
Travel & Subsistence	20	25	25	Complete					Project took longer than planned
Property Management	20	20	0	Mar 13					
Sub-totals	40	45	25						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Highways & Infrastructure									
Passenger Transport	15	0	0	Deleted					Project replaced with Home to School Transport review
Business Continuity Planning	2	2	2	Complete	Amber	0	1	0	
Traffic & Transportation	20	0	0	Deleted					Agreed with Head of Service to replace with review of Winter Maintenance
Street Lighting	15	0	0	Deleted					APSE Assurance
Winter Maintenance	0	20	0	Dec 12					Requested by Head of Service
Flood Risk Management	0	10	0	To be programmed					Additional risk identified
Major Projects	0	2	2	Complete					Completion of 2011/12 project
Home to School Transport	0	21	21	Complete	Yellow	1	2	10	Collaboration project with CCBC Internal Audit
Sub-totals	52	55	25						
Housing & Community Development									
Housing Services	20	20	0	Feb 13					
Strategic Regeneration	25	25	2	Preparation					
Housing Maintenance	0	21	20	Draft report					2011/12 project completion
Sub-totals	45	66	22						
Legal & Democratic Services									
Democratic Services	5	3	0	To be programmed					Scope reduced to look at Whistleblowing 7 Anti-Fraud policies
Translation Service	0	11	11	Complete	Yellow	0	1	1	Project arising from Service Challenge
Sub-totals	5	14	11						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Communication, Marketing & Leisure									
Archives Service	20	0	0	Deleted					Await outcome of Information Management review
Leisure Services	1	1	0	To be programmed					
Community Buildings - Rhyl Town Hall	0	6	6	Complete	Yellow	0	0	10	2011/12 project completion
Pavilion Theatre, Rhyl	0	47	45	Draft report					2011/12 project completion
Leisure Centres	0	1	0	To be programmed					Review risk relating to Corwen Leisure Centre
Integrated Children's Centres	0	15	0	To be programmed					HoS request for review of operations and controls
Sub-totals	21	70	51						
Planning & Public Protection									
Community Enforcement	30	0	0	Deleted					Await service reorganisation
Food & Health & Safety Enforcement	10	0	0	Deleted					Await service reorganisation
Trading Standards	10	0	0	Deleted					Await service reorganisation
Contingency for input to Public Protection service reorganisation	0	10	0	As requested					Head of Service request to replace above work
Sub-totals	50	10	0						
Strategic Human Resources									
Strategic HR	0	19	19	Complete	Amber	0	1	10	2011/12 project completion
Sub-totals	0	19	19						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
ICT & Business Transformation									
IT Service Desk, Incident & Problem Management	20	20	0	Feb 13					
IT Service Continuity Management	2	1	1	Complete					Project took less time than planned
IT Operations Management	20	22	21	In progress					Project took longer than planned
IT Configuration	15	0	0	Deleted					Head of Service request for postponement due to level of regulatory inspection in 2012/13
IT Project Management	15	20	16	In progress					Project took longer than planned
Sub-totals	72	63	38						
Corporate Areas of Work									
Data Protection & FOI	20	35	32	Draft report					Project took longer than planned
Relief, Casual & Agency Staff	0	15	5	In progress					Issue arising from HR process review & part of efficiencies compact
Consultant payments	0	10	2	In progress					Part of efficiencies compact
Sub-totals	20	60	39						
External Contract Work									
Countryside Council for Wales	165	165	138	In progress					
North Wales Police Authority	200	210	90	In progress					Additional work requested
School Fund Audits	30	35	33	In progress					Additional work requested
Sub-totals	395	410	260						

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Reason for Plan Revision
Other Areas of Work & Contingencies									
Consultancy & Corporate Work	185	140	73	In progress					Less time spent than planned
Follow up reviews	50	50	24	In progress					
IA collaboration	50	20	11	In progress					Less time spent than planned
Frauds & Investigations	80	50	1						Less time spent than planned
-National Fraud Initiative			9	Complete					
-Purchasing Cards			2	Complete					
-Ysgol Clawdd Offa			8	Complete					
Corporate Priorities & Efficiencies Work	10	25	14	In progress					Contingency days following agreement of new Corporate Plan
Sub-totals	375	285	142						
IA Support									
Management & Admin	350	380	218						New members of team resulting in increased management time and training requirements
Training	70	90	65						
Sub-totals	420	470	283						
Grand Totals	2120	2146	1163						



Conwy Internal Audit Services
Denbighshire Internal Audit Services

Home to School Transport

October 2012



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Purpose & Scope of Review

Conwy County Borough Council's (CCBC) S151 Officer requested a joint internal audit review of Home to School Transport due to his concerns over financial management of the collaboratively delivered service.

CCBC's internal audit service led the review that included:

- financial management
- collaboration
- operational management & performance
- regulatory compliance

As the Home to School Transport is still going through the integration process, we found it difficult to provide a report on the integrated service in some areas. Where there are risks or issues clearly relating to only one of the local authorities, we have identified this. We have also provided separate Assurance Ratings below.

Assurance Rating

(Based on areas reviewed)

	High Assurance	Risks and controls well managed
DCC	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
CCBC	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

The home to school transport service has been through a turbulent period because of collaboration and still has a significant way to go to deliver an effective and efficient service. Our review has raised several operational issues that need to be addressed, including critical and major risk areas to improve the governance of the collaboration arrangements and service performance.

Although Denbighshire County Council's (DCC) service was previously seen as an area of good practice, it is clear that the collaborative working arrangements between Conwy County Borough Council (CCBC) and DCC have suffered through poor project planning, a lack of information, and resource issues at the commencement. By not using a project management methodology, the collaboration lacked clear direction and decision making prior to implementation. From the outset, there have been resource issues and lack of accurate information due to the ONE system not being up to date and the loss of CCBC's contract files.

Although the Joint Collaboration Board (JCB) and the Collaboration Officer Group (COG) provide the opportunity for robust governance arrangements to monitor the collaboration, they have not held the service accountable by reviewing progress reports and have not therefore provided effective challenge and monitoring.

This review was commissioned to identify the reasons for the budget overspend in CCBC, and it is clear that financial management in both DCC and CCBC has not been effective. We are unable to provide an informed opinion on DCC's processes due to the absence of the relevant Finance Officer during our review. CCBC's home to school transport financial management relies on the ONE system but, as this system has not been regularly updated, poor management information has significantly contributed to the projected overspends for 2011/12 and 2012/13 not being identified and reported promptly.

The service has implemented some good management processes, in particular relating to procurement and it generally complies with regulatory and corporate requirements. However, overall, operational management needs to improve and we have raised several risks in this area, in particular, staff resources issues. The service needs to improve its management of contracts, make sure that safeguarding, performance management and health and safety procedures are robust, and ensure that operators have the required insurance cover and comply with VAT regulations.

As the service is still integrating, we have provided separate Assurance Ratings for DCC and CCBC. The 'No Assurance' rating for CCBC is due to the poor management information supply impacting upon financial management, resulting in weakened budgetary control.

Action Plan

Audit Review of: Home to School Transport
Date: October 2012
Action Plan Owner: Joint Head of Highways & Infrastructure

Corporate Risk/Issue Severity Key	
	Critical – significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	Budgetary control in the Home to School Transport service in CCBC will not improve unless: 1. there is liaison between the Section Manager: Passenger Transport and the Systems Analyst to arrange specific training on the ONE system for all relevant employees; 2. all outstanding training issues are addressed; 3. the ONE system is updated promptly so that data is accurate and comprehensive; and 4. operator invoices are closely checked to contract prices on the ONE system. 5. reporting of budgetary performance is undertaken on a monthly basis.	1. Training complete 2. No outstanding training issues 3. ONE is updated for all new requests and during the school review process. This does not account for historic inaccuracies. 4. This will require additional resources 5. Budgetary meetings programmed and commenced	1. Section Manager 2. Section manager 3. Joint Head of Service (JHOS) 4. JHOS 5. Principal Accountant/ Section Manager	1. Completed 2. Completed 3. April 2013 (end of RFQ process) 4. Dependent upon business case (below) 5. On-going

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Risk/Issue No.	Risk/Issue	Action	Who	When
2.	Due to a restructure within Finance and some members of staff being on maternity leave, DCC was not able to provide adequate staffing resources and cover in its Accountancy service to ensure that the school/college transport budget was monitored effectively. If this situation reoccurred in the future, it may result in inadequate budget monitoring and a lack of up to date accurate information to facilitate management intervention where needed.	<p>The situation that happened at the time of the review was exceptional. Contingency plans existed but, due to the number of vacancies within Finance and people on maternity leave, we could not put these plans in place. Prior to the officer going on maternity leave, forecasting was up-to-date and the budget was significantly underspent; therefore, we deemed the risk around a budget deficit occurring during the period as minimal.</p> <p>Cover was provided from February 2012 until the officer returned from maternity leave in September 2012.</p> <p>The new Finance structure is in place to provide this resilience. In future, work will be more standardised and there will be opportunity to train more employees in specialist areas such as home to school transport.</p>	DCC Chief Accountant	March 2013
3.	The service has not agreed a clear, unambiguous and measurable method of apportioning costs of managing the service between CCBC and DCC in a SLA. Lack of a recharging method may result in the levying of disputed charges and undermine confidence in the collaboration principle, in both this joint service and any future collaborative opportunities.	<p>Corporate methodology awaited for collaboration projects.</p> <p>In the interim, officers will continue to assess percentages of time spent on each authority's transport periodically</p>	<p>JHOS and S151 officers</p> <p>Section Manager</p>	<p>Before March 2013</p> <p>Before March 2013</p>

Risk/Issue No.	Risk/Issue	Action	Who	When
4.	CCBC did not increase its home to school transport budget for 2012/13 in light of the 2011/12 outturn. If the service does not take immediate steps to identify where it can reduce expenditure and avoid or minimise future increases, it is inevitable that 2012/13 budget will be overspent.	RFQ & subsequent tender programme in place from June 2012. T & F Group established	JHOS	On-going to April 2013
5.	Although governance arrangements are in place in the form of the JCB and the COG, these bodies have not held the home to school transport service accountable due to a lack of progress reporting. The JCB and COG have not therefore provided effective challenge and monitoring of the service.	Reporting to JCB and COG for guidance	JHOS	October 2012
6.	Not using a project management methodology for the home to school transport collaboration means that future projects will not benefit from lessons learned and may fail to deliver desired outcomes and drive improvement.	Lessons learned to inform any future integration or collaboration	JHOS	On-going
7.	Documented procedures are not in place for all areas of the service, e.g. inspections and the network officer's role, which could lead to a lack of clarity, compliance and consistency in service delivery. When procedures are in place, the service will need to ensure that it has a robust process to ensure staff awareness.	The existing draft Network Officer's procedure is forming the basis for a regional procedure in terms of tendering and contract management via Value Wales, to be agreed. Monitoring & payments procedures complete. All other procedures extant. Most reviewed	Section Manager	Nov 2012 (subject to Value Wales) Completed
8.	Transport operators are not always returning signed contracts, so agreements are not formalised in the event of dispute and the service may not be able to enforce its terms and conditions effectively. There is no indicator on the ONE system to show cases where operators have failed to return signed tender documents and no robust process to chase up the operators to ensure that they return signed contracts.	In progress	Section manager	Autumn half-term

Risk/Issue No.	Risk/Issue	Action	Who	When
9.	<p>Transport operators are able to terminate contracts early and subsequently re-tender for the same contract at a higher price. If this practice continues and becomes common, it will have a significant financial impact on the service.</p> <p>The service may need to seek legal advice to determine the possibility of excluding operators from tendering for contracts that they have surrendered when the subsequent re-tendering exercise is undertaken.</p>	Legal advice now sought	Section Manager	Completed
10.	The Conditions of Contract stipulate that operators should “ <i>risk assess all transport operations and routes before the start of a contract</i> ”. These risk assessments are not in place in all cases, increasing the likelihood of risks not being identified, legal challenge and Health & Safety Executive intervention in the event of an incident or accident.	Suppliers requested to sign any outstanding paperwork (noting that there remains written confirmation in place and claims are signed stating they are bound by terms)	Section Manager	November 2012
11.	Regular bus pass inspections are not being undertaken to ensure that only eligible pupils travel on school buses. Operators need to ensure that their drivers only allow eligible pupils to travel, as there is a potential financial cost to the service of having to provide additional transport if buses are full of ineligible pupils.	Disagree with audit recommendations. Requires discussion at TOWG	TOWG	October 2012
12.	The majority of DCC Passenger Assistants’ ID badges expired in 2010, so they do not hold current ID badges. There is no record of badge holders to ensure that expired badges are renewed on time and only authorised people are acting as Passenger Assistants.	All ID badges are up to date	Section Manager	Completed

Risk/Issue No.	Risk/Issue	Action	Who	When
13.	Our testing found one instance of a Passenger Assistant's CRB dated 2006 in CCBC. Although controls are generally good in this area, this instance highlights the need to improve procedures to ensure that safeguarding controls are watertight and that this employee's CRB is updated as soon as possible.	This related to a single renewal. In the continued absence of guidance corporately on renewals, all CCBC CRBs are up to date in line with DCC's policies	Section Manager	Completed
14.	<p>In CCBC, the service is not measuring its performance as required in the SLA with Education and, in DCC, there is no SLA to allow measurement.</p> <p>By failing to monitor the various service standards, quality of provision and performance indicators, etc., the service will be unable to measure how well it is performing against predetermined targets.</p>	<p>CCBC SLA requires redrafting to reflect capacity issues and parameters</p> <p>No requirement for DCC SLA but in discussion over customer service standards</p>	<p>TOWG</p> <p>Section Manager</p>	<p>October 2012</p> <p>March 2013</p>
15.	Some operators are not insured at the required levels for both Public (£5m) and Employers (£10m) Liability, and the service does not always chase operators promptly to provide evidence of their insurance renewal. In the event of an incident or accident, the local authority would become liable for any insurance claim, with potentially significant financial and reputational implications.	<p>All insurance is up to date at time of passing payments.</p> <p>Suppliers being checked to ensure correct limits (note some CCBC contracts are expired)</p>	Section Manager	<p>Complete</p> <p>November 2012</p>
16.	<p>In DCC, the service has processed invoices where the operator provided proforma invoices rather than legitimate VAT invoices. This means that the operator receives VAT income to which they are not entitled and the local authority reclaims VAT to which is it not entitled.</p> <p>Regulations state that VAT must only be paid to operators submitting VAT invoices bearing a unique VAT registration number.</p>	Suppliers using old forms have new ones sent with space for VAT number (as appropriate)	Section Manager	Complete

Risk/Issue No.	Risk/Issue	Action	Who	When
17.	The home to school transport service collaboration has been under-resourced, resulting in established procedures being set aside. There is, therefore, a need for the service to review its business plan to include the identification of any resource shortages and report any issues to the Joint Collaboration Board.	Review of business plan (to include risk 1.4 above)	JHOS	November 2012
18.	Contracts relating to Conwy service users have expired and not been re-tendered as planned. The service does not have a phased programme for re-tendering of contracts to avoid a situation where all contracts expire simultaneously.	Agreed RFQ programme in place from June 2012 with a view to full tender around Eastertide 2013	Section Manager	On-going

Background & Context

In February 2012, CCBC's S151 Officer expressed his concerns over an apparent budget overspend in excess of £290k within the service in CCBC and requested a joint internal audit review to establish the reasons. As both CCBC and DCC were already considering full internal audit reviews of home to school transport, they agreed to carry out a full operational review of the service together, with CCBC leading the review.

In 2008/9, the Wales Audit Office (WAO) and CCBC's Internal Audit Service carried out a joint review of CCBC's home to school transport service and rated it as 'unsatisfactory'. A subsequent follow up found some improvement and changed the rating to 'adequate', as several improvements were still outstanding. As this service had not been audited in DCC, there are no previous audit opinions available; however, regionally and nationally, DCC's service had received recognition as demonstrating good practice.

Highways & Infrastructure initially managed the school transport service in CCBC before it transferred to Community Development, and then returned to Highways & Infrastructure. It returned without managerial support, so CCBC appointed an interim, part-time manager. In June 2010, DCC seconded an officer to CCBC, who produced an action plan that identified the need to update all contract information on the ONE System. The target date for completion of this critical task was 31 July 2010, but other day-to-day demands of her role meant that she could not meet this target, so the ONE system was not fully updated. The service manager confirmed that no action was taken to assess the status of data then held in the system.

To address these problems, and following a report to both organisations' Cabinets in December 2010, CCBC and DCC established a collaborative working service in relation to home to school transport in February 2011. CCBC's Education service and the Highways & Infrastructure service drew up a service level agreement (SLA), setting out roles and responsibilities.

From the start, there were resource issues, with the only two remaining CCBC employees transferring to DCC and management being unable to appoint further employees promptly due to the need to comply with the job evaluation process. In January 2011, an agency worker was employed to contact all Conwy operators to confirm contract details due to the disappearance of contract files during the formation of the joint service and the fact that the ONE system had not been updated and maintained. That agency worker left in July 2011, and it is unclear how much of the task had been completed. This left the Transport Section unable to undertake a tendering exercise prior to September's pupil intake and, therefore, unable to achieve identified savings.

Note: The ONE system is a database used by CCBC that provides information relating to the home to school transport service in respect of routes, operators, contracts, journeys linking pupils to routes, drivers and passenger assistants, contract payments and can link to the Geographical Information System to determine free transport eligibility.

Review Outcomes & Risks Arising

Financial Management

Opinion	Financial management in both DCC and CCBC gives cause for concern. We are unable to provide an informed opinion on DCC's processes due to the absence of the relevant Finance Officer. The failure by the service to improve and maintain the ONE system data has resulted in incomplete and inaccurate information, preventing prompt identification and reporting of the budgetary deficiency in the CCBC home to school transport service.
Key Areas Managed Well	The Transport Officers Working Group meets regularly and includes budget discussions within its agenda; however, there was a failure in the regular reporting of financial information. It has discussed the current overspend at its last few meetings but is awaiting the outcome of our review before taking any action.
Risk/Issue 1 Critical	CCBC's home to school transport budgetary control relies on the ONE system being up to date. DCC also intends to use the system to manage its home to school budget as the collaborative service develops. However, there is a lack of understanding of and confidence in the system, which has contributed to it not being regularly updated, despite the difficulties this causes, as a demand led service, being made known to the service manager. This has contributed to the projected overspend for 2011/12 and its increase to £549k in 2012/13 not being identified and reported promptly.
Risk/Issue 2 Moderate	DCC's Accountancy Section did not monitor its home to school transport budget between November 2011 and March 2012 due to staffing shortages within the Section. The Chief Accountant explored various options in order to provide this cover. If the situation was to reoccur in the future, a lack of succession planning and cover within the service could lead to budget deficiencies not being identified and reported promptly.
Risk/Issue 3 Major	There is no agreement in place to determine how DCC should recharge CCBC for work undertaken on its behalf. With no mechanism for identifying/quantifying costs, DCC is unable to justify charges. Similarly, CCBC cannot justify expenditure.
Risk/Issue 4 Critical	CCBC did not increase its current year's budget for home to school transport in light of the 2011/12 outturn. Unless the service implements immediate steps to reduce expenditure, it is inevitable that 2012/13 budget will be overspent.

Collaboration

Opinion	The failure to adopt a project management methodology contributed to a lack of clear direction and decision making prior to implementing the home to school transport collaboration. Although robust governance arrangements are in place for monitoring the collaboration, the service is not being adequately held to account in terms of progress towards operational effectiveness.
Key Areas Managed Well	A Joint Collaboration Board (JCB) comprising elected members and senior managers from both local authorities oversees collaboration between DCC & CCBC. In addition, there is also a Collaboration Officers Group (COG), which considers issues relating to all aspects of collaborative working. These groups are evidence of good governance arrangements.
Risk/Issue 5 Critical	Although governance arrangements are in place in the form of the JCB and the COG, these bodies have not held the home to school transport service accountable due to a lack of progress reporting. The JCB and COG have not monitored progress in this collaboration effectively.
Risk/Issue 6 Moderate	Not using a project management methodology for the home to school transport collaboration means that there has been no post-project review to learn lessons for future projects of this kind. Employees were not clear of their responsibilities and there was a lack of planning in establishing what resources, procedures and systems were needed and what contracts were in place.

Operational Management & Performance

<p>Opinion</p>	<p>Some good processes are in place and the service is developing operational procedures; however, there are several areas where the service needs to improve. In particular, we have raised several risks relating to management of contracts, and the service needs to make sure that its safeguarding, performance management and health and safety procedures are robust.</p>
<p>Key Areas Managed Well</p>	<p>The service has developed new operational procedures for most areas of the collaborative arrangements, although it needs to ensure that all relevant employees are aware of them.</p> <p>Following the September intake, Network Officers review the capacity of each vehicle to see if it is cost effective to run, depending on the size of the vehicle and pupil numbers.</p> <p>Robust procedures are in place for licensing of drivers.</p> <p>Overall, controls to ensure that Criminal Record Bureau (CRB) checks are in place and kept up to date are good.</p> <p>The service has adopted the Welsh Government's Travel Behaviour Code, which came into force in January 2010.</p> <p>The service has an Operational Plan 2012/13, although this needs developing to determine the future position of the service and the resources required to deliver this.</p>
<p>Risk/Issue 7 Moderate</p>	<p>Documented procedures are not in place for all areas of the service, e.g. inspections, which could lead to a lack of clarity, compliance and consistency in service delivery.</p>
<p>Risk/Issue 8 Moderate</p>	<p>Transport operators are not always returning signed contracts, so agreements are not formalised in the event of dispute and the service may not be able to enforce its terms and conditions effectively.</p>
<p>Risk/Issue 9 Moderate</p>	<p>Transport operators are able to terminate contracts early and subsequently re-tender for the same contract at a higher price. If this practice continues and becomes common, it will have a significant financial impact on the service. Although some improvement is evident in the commissioning of individual service delivery by use of the Request for Quote system, that system also provides operators the opportunity to inflate prices disproportionately.</p>
<p>Risk/Issue 10 Moderate</p>	<p>The Conditions of Contract stipulate that operators should "<i>risk assess all transport operations and routes before the start of a contract</i>". These risk assessments are not up to date in all cases, increasing the likelihood of risks not being identified, legal challenge and Health & Safety Executive intervention in the event of an incident or accident.</p>

Risk/Issue 11 Moderate	<p>A recent inspection of bus passes highlighted that a significant number of ineligible pupils were using the service. We understand that drivers may be unwilling to challenge pupils but this increases the risk of the system being abused at a potential financial cost to the service of having to provide additional transport if buses are full of ineligible pupils.</p>
Risk/Issue 12 Moderate	<p>The majority of DCC Passenger Assistants' ID badges expired in 2010. Although they have been asked to apply for a new badge, there is no record of badge holders, so no control to ensure that expired badges are renewed on time and only authorised people are acting as Passenger Assistants.</p>
Risk/Issue 13 Moderate	<p>Our testing found one instance of a Passenger Assistant's CRB dated 2006 in CCBC. Although controls are generally good in this area, this instance highlights the need to improve procedures to ensure that safeguarding controls are watertight.</p>
Risk/Issue 14 Moderate	<p>The service is not measuring performance and is not, therefore, able to recognise where it needs to improve. This is a requirement of the SLA in place with CCBC, but, there is no SLA in place at DCC. This is particularly important as the service has two client departments in two authorities and needs to demonstrate consistency of performance between them.</p>

Regulatory Compliance

Opinion	The service is generally complying with regulatory and corporate requirements, but needs to ensure that operators have the required insurance cover and comply with VAT regulations.
Key Areas Managed Well	<p>Appropriate tendering procedures are in place and the service applies financial penalties when operators breach contract conditions.</p> <p>The service is successfully using the Request for Quotes system, which brings greater transparency to the procedures for awarding contracts at short notice. However, we are aware of some concerns amongst Taxi Operators regarding this process.</p> <p>The service is applying eligibility criteria for free travel that complies with The Learner Travel (Wales) Measure 2008.</p> <p>Several employees within the Transport Section can carry out inspections to ensure contract compliance. The service maintains a record of these inspections.</p> <p>Our testing found that both CCBC and DCC are meeting taxi licensing requirements.</p>
Risk/Issue 15 Moderate	<p>Our testing found instances where operators did not have either the Employers or Public Liability insurance or the Employers Liability insurance was less than the required minimum £10m. In addition, we also found three cases where the service did not chase up operators promptly to provide evidence of their insurance renewal. This increases the risk of operators working without insurance, with a potential legal and financial impact on the service in the case of an accident or incident.</p>
Risk/Issue 16 Moderate	<p>In DCC, two operators are claiming VAT but submitting proforma invoices rather than legitimate VAT invoices. The service is therefore incorrectly processing payments, which will lead to the Council submitting an incorrect VAT return.</p>
Risk/Issue 17 Major	<p>The Section Manager, Public Transport stated that due to the additional work involved in delivering the CCBC home to school transport service with an under resourced workforce, the service has suffered as a result, with a number of embedded procedures having to be set aside in order to deal with the new service provision.</p>
Risk/Issue 18 Major	<p>A planned re-tendering of CCBC expired contracts during 2011/12 was not undertaken and the projected savings of £60k were not realised. In addition, expired contracts have been extended with an uplift of between 2% - 5% being paid to operators.</p>

Overspend on CCBC Budget

Opinion

Home to school transport is a demand led service, which relies upon accurate, complete and up-to-date information to enable effective budgetary monitoring and control. It is apparent that the joint service has experienced resource issues that have resulted in a failure to improve and maintain the ONE system effectively. This has resulted in the late identification of a budget deficiency, leaving little or no time to instigate remedial measures during 2011/12 or plan appropriately for 2012/13.

**See Risk/
Issue 1
Critical**

During the period June to December 2011, the number of home to school transport service delivery arrangements has increased, and some existing arrangements had variances applied to them, resulting in an increase in the value of daily committed budget as follows:

SEN	£1496
Taxi/Minibus	£1636

	£3132 x 126 days (Sep-Mar) =£408,940

The figures above include £19k in payments for inflationary pressure on expired contracts that had been extended. Due to the ONE system not being maintained, this information was not available / identified until January 2012.

Report Recipients

- Joint Head of Highways & Infrastructure – Stuart Davies
- Head of Operations – Mike Hitchings
- Section Manager: Passenger Transport – Peter Daniels
- Corporate Director: Economic & Community Ambition – Rebecca Maxwell
- Corporate Director: Customers – Hywyn Williams
- Lead Member for Public Realm – Cllr David Smith
- Lead Member for Finance & Assets – Julian Thompson Hill
- Chair of Performance Scrutiny Committee – Cllr Colin Hughes
- Performance Scrutiny Member – Cllr Peter Owen
- Corporate Governance Committee members
- Democratic Services Manager – Steve Price
- Scrutiny Support Officer – Rhian Evans

Key Dates

Review commenced	March 2012
Review completed	April 2012
Proposed date for 1 st follow up review	November 2012
Report to Corporate Governance Committee	14 November 2012

Agenda Item 7

Report To:	Corporate Governance Committee
Date of Meeting:	14 November 2012
Lead Member / Officer:	Jackie Walley, Head of Customers and Education Support
Report Author:	Corporate Complaints Officer
Title:	Annual Report for Your Voice 2011–12

1 What is the report about?

The report provides an overview of complaints and compliments received by Denbighshire County Council under the council's feedback policy 'Your Voice' during the period 1-Apr-2011 to 31-Mar-2012.

2 What is the reason for making this report?

The report will provide the Committee with an overview of the volumes and types of feedback received during 2011/12 and how the council performed in terms of handling feedback.

The Public Service Ombudsman for Wales publishes an Annual Report and Annual Letter. This report will provide the Committee with the council's response.

The report will provide the Committee with details of future developments that will have an impact on Your Voice.

3 What are the Recommendations?

3.1 That the Committee notes the suggestions about improving the council's performance in handling complaints.

3.2 Members to suggest any additional information they wish to be included in the next annual report.

4 Report details

Headlines

Recorded 'feedback' fell by 26% in 2011/12 compared with 2010/11.

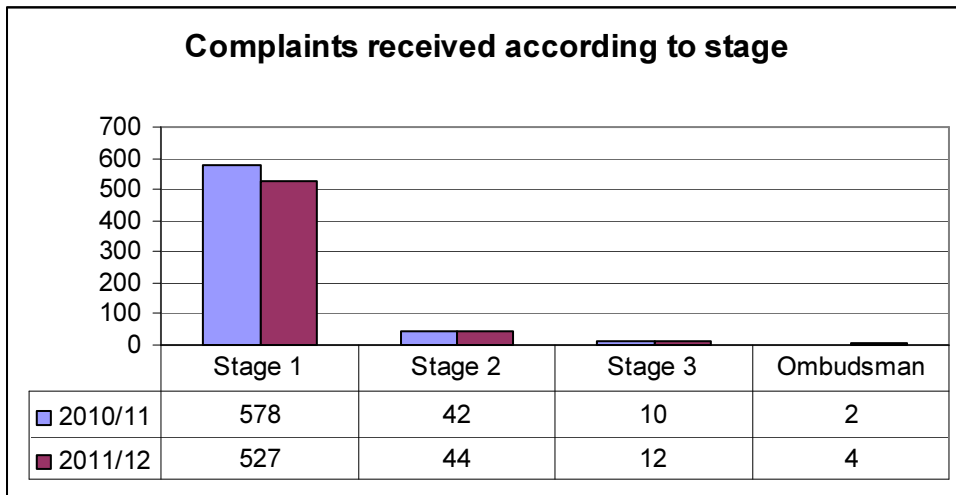
Complaints were 7% lower and compliments down by 42%.

The Council responded to 81% of complaints within the published timescales. This was an improvement on the previous year (77%).

Out of 587 complaints, 38% were either Upheld or Upheld in part.

There was a slight increase in the numbers of complaints considered at stages 2 and 3 of the process.

Complaints considered under Your Voice



The majority of complaints were dealt with at stage 1 of the complaints process.

The volume of recorded complaints decreased in 2011/12 yet the numbers being considered at stages 2 and 3 have actually increased.

Complaint outcomes

Outcome	Q1	Q2	Q3	Q4	Total	Proportion
Upheld	37	24	27	42	130	22%
Partially Upheld	20	25	26	24	95	16%
Escalated to next stage	2	5	1	1	9	2%
Referred to other procedures	7	7	1	7	22	4%
Not Upheld	93	110	58	48	309	53%
Withdrawn	10	0	8	4	22	4%
TOTAL	169	171	121	126	587	100%

38% of complaints were either fully or partly upheld meaning the Council accepts it has made a mistake. It is an indication that departments are willing to recognise failings within their service.

Responding to complaints within published timescales

2010/11	Q1	Q2	Q3	Q4	Overall
Total	162	165	144	161	632
Within	125	119	118	126	487
%	77%	72%	82%	78%	77%

2011/12	Q1	Q2	Q3	Q4	Overall
Total	169	171	121	126	587
Within	141	156	91	87	475
%	83%	91%	75%	69%	81%

The council has a target of responding to 95% of complaints within published timescales. It can be seen from the table above that, despite an improvement during 2011/12, the council is some way from achieving this target.

Complaints made to the Public Services Ombudsman for Wales (PSOW)

PSOW Category Reporting	Corporate TOTAL	Corporate proportion	PSOW TOTAL	PSOW proportion
Adult Social Services	41	6.98%	2	5.26%
Benefits administration (Council Tax/Housing/Other)	1	0.17%	2	5.26%
Children's Social Services	39	6.64%	0	0.00%
Community Facilities, recreation and leisure	0	0.00%	0	0.00%
Education	4	0.68%	2	5.26%
Environment and Environmental Health	199	33.90%	3	7.89%
Finance and Council Tax	24	4.09%	1	2.63%
Housing	79	13.46%	9	23.68%
Planning and building control	40	6.81%	11	28.95%
Roads and transport	68	11.58%	2	5.26%
Various other	92	15.67%	6	15.79%
	587	100.00%	38	100.00%

38 complaints were made to the PSOW during 2011/12. This was an increase from the previous year (31) and was higher than the Welsh Local Authority average (27).

17 were deemed to be 'premature' by the Ombudsman and referred back to the Council to be dealt with under our complaints procedure. This suggests that awareness of the council's own complaints policy needs to be improved.

Of the complaints received by the PSOW, only 2 were investigated. This is the same number as the previous year and is the 'average' for Welsh Local Authorities.

Developments in complaint handling

The Welsh Government (WG) and the Public Services Ombudsman for Wales (PSOW) issued a 'Model Complaints Policy' to all public bodies in Wales in July 2011. This recommended the adoption of a **two stage** complaints process. We currently have a three stage process. Appendix A provides details of how the change affects our feedback policy.

A 'Corporate Feedback' project is underway to examine the existing policy. It also relates to a wider programme of work to improve the customer experience by ensuring all services deliver a consistently high quality service.

It is proposed that we have two generic performance standards relating to feedback across the authority, these being:

- **complaints are handled within the published timescale; and**
- **service improvements are considered as a result of customer feedback**

Priorities for “Your Voice”

Work has already begun to improve the feedback process and the way complaints are handled.

There has to be a cultural change within the organisation about how we deal with feedback including the need to encourage complaints and improve how they are handled. This will involve ensuring a consistent approach to recording, monitoring and dealing with feedback across the organisation.

There is a need to improve how complaints are responded to and the aim is to respond to at least 95% of complaints within the stated timescales. There is a need to analyse the feedback and consider how we use this information to possibly redesign our services.

It is intended to introduce a ‘pre-complaint’ feedback element to ‘Your Voice’ in order to encourage dialogue and interaction with our customers. Ultimately this will improve the confidence that our customers have in the organisation and demonstrate that we listen and respond to feedback. This can potentially improve the reputation of the council as our residents and customers recognise us as a high performing authority.

5 How does the decision contribute to the Corporate Priorities?

One of the corporate priorities for Denbighshire County Council over the next 5 years is the **Customer Experience**: to deliver excellent services and customer care (Pg. 9 ‘An Excellent Council, Close to its Community 2012 – 2016’).

6 What will it cost and how will it affect other services?

The cost of reviewing and implementing the new policy/process will be covered by the existing budgets.

7 What consultations have been carried out?

Consultation on the new policy will commence in November. It was launched at the Middle Managers Conference in October.

8 Chief Finance Officer Statement

Not applicable

9 What risks are there and is there anything we can do to reduce them?

Not applicable

10 Power to make the Decision

Not applicable

Appendix A – Proposed change to complaints process within ‘Your Voice

Your Voice - existing			PSOW 'Model'			Your Voice - proposed				
3 stage	Max conclusion time = 50 working days		2 stage	Max conclusion time = 30 working days		2 stage	Max conclusion time = 30 working days			
Stage 1	'Local' (Service) resolution/response	10 working days	Stage 1	Informal	At point of service	<1 working day	Stage 1	Informal	At point of service	<1 working day
				Formal	'Local' (Service) resolution/response	10 working days		Formal	'Local' (Service) resolution/response	10 working days
Stage 2	Detailed investigation by Senior Officer, usually Head of Service	25 working days	Stage 2	Detailed investigation by Senior Officer, usually Head of Service	20 working days	Stage 2	Detailed investigation and response by Head of Service	20 working days		
Stage 3	Review of complaint handling by Chief Executive	15 working days								
End of process			End of process			End of process				
Public Services Ombudsman for Wales			Public Services Ombudsman for Wales			Public Services Ombudsman for Wales				

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Agenda Item 8

Report To:	Corporate Governance Committee
Date of Meeting:	14 November 2012
Lead Member / Officer:	Cllr Julian Thompson-Hill
Report Author:	Head of Finance and Assets
Title:	Treasury Management (TM) Update Report (Appendix 1)

1 What is the report about?

- 1.1 The TM Update Report (Appendix 1) provides details of the Council's TM activities during 2012/13 and provides background on investments and the annual TM Strategy Statement.
- 1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing is £134m with an average annual interest rate charge of 5.75% and at any point during the year, the council will have between £20-£35m to invest which on average earns 0.70% currently.

2 What is the reason for making this report?

- 2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee. Part of this role is to receive an update on the TM activities twice a year. This is the second update of the year but it has also been expanded to include information about the TM Strategy Statement as it precedes the report in January which will include the TM Strategy Statement for 2013/14.

3 What are the Recommendations?

- 3.1 That members note the TM update report (Appendix 1).

4 Report details

- 4.1 The TM update report (Appendix 1) provides details of the following:
 - External economic environment
 - An update on any changes in the global economic conditions
 - Investments
 - An update on who we invest with and the current position

- **TM Strategy Statement**
 - A brief outline of what's included in advance of the report in January
- **Prudential Indicators**
 - An explanation of the indicators including details of when they are set and a brief introduction
- **Money Laundering**
 - An update on the Money Laundering Policy confirming that there haven't been any cases reported
- **Future Activity**
 - An update on the plans for the next six months

5 How does the decision contribute to the Corporate Priorities?

- 5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

6 What will it cost and how will it affect other services?

- 6.1 Not applicable.

7 What consultations have been carried out?

- 7.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

8 What risks are there and is there anything we can do to reduce them?

- 8.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

9 Power to make the Decision

- 9.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates.

Treasury Management Update Report

1 Changes in the external environment

1.1 Economic Outlook

Financial markets are volatile at the moment. The stresses are most extreme in Europe where the lack of real progress in resolving the sovereign debt problem is affecting even the stronger countries. The debt problems have been well publicised with the situation in Greece being the most difficult but with significant risks also facing the Portuguese, Italian and Spanish economies.

With the current instability in the Eurozone and the potential for contagion if a significant bank were to fail or a country were to default, the Council is being very cautious in relation to our current investment strategy and this is likely to continue for the medium term.

2 Investments

2.1 Following the ongoing economic turmoil in the Eurozone, the Head of Finance & Assets decided earlier in the year to limit the Council's exposure to 7 days for all new investments with the UK banks which it invests with as listed below. The decision was made because of concerns about the exposure of UK banks to European countries.

Barclays Bank
Nationwide BS
Royal Bank of Scotland Plc / NatWest Bank Plc
Lloyds TSB Bank Plc / Bank of Scotland Plc

2.2 In practice, this means that all of the Council's cash is now invested in instant access accounts. The total currently stands at £20m and is earning interest at an average rate of 0.75%.

2.3 The Council is also able to invest with the UK Government's Debt Management Office which is currently paying a rate of 0.25%. We have also opened a safe custody account which enables us to purchase Treasury Bills from the Government and these pay a similar rate of return. These options are used as a last resort if safe limits have been reached with financial institutions.

2.4 In view of the limited number of banks which are available now for new investments, the Council intends to reduce its investment balances and to use temporary borrowing as a means of funding short term cash flow requirements.

3 Treasury Management Strategy Statement

Background

- 3.1** We are required to produce a Treasury Management Strategy Statement each year which must be approved by full Council in February. The Corporate Governance Committee will be required to review the Strategy Statement in January prior to approval by Council.

Investment Strategy

- 3.2** The Statement outlines what the Council's treasury position is and what the investment strategy will be for the forthcoming financial year. The strategy lists the types of investments that can be used by the Council and sets limits for each type. The countries and institutions that we are permitted to use are also listed along with an explanation of the rationale for selecting particular countries and financial institutions. The council's treasury strategy puts the safety of investments ahead of yield though prudent options are always considered if appropriate.

Borrowing Strategy

- 3.3** The Statement also outlines the borrowing strategy for the forthcoming year and lists the various sources of borrowing which we are permitted to use. The strategy will outline how the current policy is likely to continue in the medium term. This means that we will continue to reduce our investment balances and rely on internal borrowing as much as possible instead of external borrowing. This is sustainable while the Council has sufficient balances and reserves to avoid the need for external borrowing but this will be monitored throughout the year with a view to externalising borrowing if required.

4 Prudential Indicators

- 4.1** In addition to treasury limits, the Strategy Statement sets prudential indicators which set boundaries within which our treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2012/13 agreed by Council in February 2012. The Council has not deviated from the Capital related indicators either.
- 4.2** There are twelve indicators of which five are capital related and seven are treasury related.

Capital Indicators

- 4.3** The Capital related indicators provide estimates of the capital expenditure over a three year period and are set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.
- 4.4** Estimates of the Capital Financing Requirement (CFR) are also provided over a three year period and this is a measure of the Council's underlying need to borrow. The Capital Plan relies on various sources of finance i.e. grants, contributions and capital receipts. Once these are used up, we need to rely on borrowing and the CFR is the amount we need to borrow. The indicators are set to ensure that our borrowing doesn't exceed the CFR by comparing our CFR and borrowing levels for the current and future years.
- 4.5** As each council's capital requirements and funding strategies are different, prudential indicators are designed to show the impact of these relative to the overall position of the Council. They are not necessarily useful as a measure between councils.

Treasury Management Indicators

- 4.6** We are required to set borrowing limits which set the maximum level of our external borrowing over a three year period. These are set with reference to the Council's estimates of the CFR and the limits are based on the Council's existing capital commitments and future proposals for capital expenditure.
- 4.7** The indicators also set upper limits on our exposure to fixed and variable interest rates to manage the extent to which we are exposed to changes in interest rates. These limits give us the flexibility to undertake new loans on a fixed or variable rate basis which will be influenced by expectations of anticipated interest rate movements.
- 4.8** We also set limits on the amount of debt maturing within various time periods to avoid large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.
- 4.9** The final indicator sets an upper limit for sums invested over 364 days to limit our exposure to long term investments. In practice, we are not investing beyond 7 days in the current climate so this is not applicable at the moment.

5 Money Laundering

- 5.1** The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it maintains procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that relevant staff are properly trained.
- 5.2** The Head of Finance and Assets has been appointed as the Money Laundering Reporting Officer. There haven't been any cases of money laundering reported since the start of Denbighshire to date and we consider the risk to the Council to be minimal.

6 Future

6.1 TM Strategy for next six months

As stated above, the Council intends to reduce its investment balances and to use temporary borrowing as a means of funding short term cash flow requirements.

6.2 Reports

The next report will be the Treasury Management Strategy Statement and Prudential Indicators 2013/14 which will be reported to the Corporate Governance Committee in January and to Council in February.

ADDENDUM

1 Updated Investment Advice

- 1.1 The Council's treasury advisers, Arlingclose Ltd, have been monitoring economic and political developments in the UK, Europe and globally and they are now comfortable with extending the duration limits with the banks which we use. As reported in the TM Update Report, the Council's current policy is to limit all investments to 7 days but the latest advice was received after the report had been submitted so this has been added as an addendum. We have considered the advice received from our advisers and we intend to relax our criteria and extend the current self imposed 7 day time limit to reflect the limits shown below.
- 1.2 The latest advice received from our advisers is to increase our duration limits with the following UK banks which are currently used by the Council:
- Royal Bank of Scotland (RBS), National Westminster, Lloyds TSB and Bank of Scotland for a maximum period of **6 months**;
 - Nationwide BS and Barclays for a maximum period of **12 months**.
- 1.3 We wouldn't gain by using the first option listed above because we are earning 0.8% with RBS/National Westminster and 0.75% with Lloyds TSB/Bank of Scotland in instant access call accounts. We would need to invest for 9 months with RBS to earn 0.8% so there is no gain to be had by taking advantage of the option to extend the duration limit in this case.
- 1.4 We would benefit if we took advantage of the second option listed above because we are only earning 0.5% with Barclays in our instant access call account but we could earn 1.07% if we invested for 12 months.
- 1.5 Extending the duration limits will not therefore yield substantial gains and the instant access call accounts give greater flexibility to reduce our investment cash without the need for borrowing. We will however extend the investment term where it makes financial sense to do so.

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CORPORATE GOVERNANCE COMMITTEE: FORWARD WORK PROGRAMME

DATE OF MEETING	REPORT	AUTHOR
27 February 2013	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Constitutional Issues (Deferred from 14/11/2012) Internal Audit Strategy 2013/14 Treasury Management Strategy</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p> <p>Head of Legal & Democratic Services Head of Internal Audit Head of Finance and Assets</p>
10 April 2013	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees Recent External Regulatory Reports Received Internal Audit Progress Report</p> <p>Reports</p> <p>Internal Audit Annual Report 2012/13 Review of the Constitution</p>	<p>Scrutiny Coordinator Corporate Improvement Manager Head of Internal Audit</p> <p>Head of Internal Audit Head of Legal & Democratic Services</p>
22 May 2013	<p>Standing Items</p> <p>Issues Referred by Scrutiny Committees</p>	<p>Scrutiny Coordinator</p>

	Recent External Regulatory Reports Received Internal Audit Progress Report	Corporate Improvement Manager Head of Internal Audit Services
	Reports	
	Draft Annual Governance Statement 2012/13	Head of Internal Audit

NB The exact date of publication of occasional reports by for example Wales Audit Office or Annual Reports by the Ombudsman are not presently known. They will be assigned a meeting date as soon as practicable.

Updated 05/11/2012 SLW

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