



To: Members of the Corporate  
Governance Committee

Date: 14 May 2013

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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, 22 MAY 2013** 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 APPOINTMENT OF CHAIR**

To appoint a Chair of the Corporate Governance Committee for the ensuing year.

**9.30 a.m. – 9.35 a.m.**

#### **2 APPOINTMENT OF VICE-CHAIR**

To appoint a Vice-Chair of the Corporate Governance Committee for the ensuing year.

**9.35 a.m. – 9.40 a.m.**

**3 APOLOGIES**

**4 DECLARATION OF INTERESTS**

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

**5 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.

**6 MINUTES (Pages 5 - 18)**

To receive the minutes of the Corporate Governance Committee meeting held on 10 April 2013 (copy enclosed)

**9.45 a.m. – 9.55 a.m.**

**7 ANNUAL IMPROVEMENT REPORT : DENBIGHSHIRE COUNTY COUNCIL**

To consider a report by the Corporate Improvement Manager (copy to follow) providing information regarding the latest Annual Improvement Report for Denbighshire County Council, issued by the Wales Audit Office (WAO in May 2013.

**9.55 a.m. – 10.25 a.m.**

**8 INTERNAL AUDIT PROGRESS REPORT (Pages 19 - 20)**

To consider a report by the Head of Internal Audit Services (copy enclosed) updating members on the latest progress of the recent Internal Audit reports issued and Management's response to issues raised.

**10.25 a.m. – 10.45 a.m.**

~~~~~ **BREAK 10.45 a.m. – 10.55 a.m.** ~~~~~

**9 INTERNAL AUDIT ANNUAL REPORT 2012 / 13 (Pages 21 - 32)**

To consider a report by the Head of Internal Audit Services (copy enclosed) which presents the Internal Audit Annual Report 2012 / 13

**10.55 a.m. – 11.15 a.m.**

**10 DRAFT ANNUAL GOVERNANCE STATEMENT 2012 / 13 (Pages 33 - 52)**

To consider a report by the Head of Internal Audit Services (copy enclosed) which presents the Draft Annual Governance Statement for 2012 / 13.

**11.15 a.m. – 11.40 a.m.**

**11 COMMITTEE SELF-ASSESSMENT (PRESENTATION OF FINDINGS)**

To consider a verbal update by the Head of Internal Audit Services of the Committee Self-Assessment.

**11.40 a.m. – 11.55 a.m.**

**12 REVIEW OF RESERVES AND BALANCES (Pages 53 - 68)**

To consider a report by the Head of Finance and Assets (copy enclosed) to inform the Committee on the level of funds currently held and changes to certain reserves prior to submission to Full Council.

**11.55 a.m. – 12.25 p.m.**

**13 ROLE OF CORPORATE GOVERNANCE IN SETTING THE BUDGET**

To consider a report by the Head of Finance and Assets (copy to follow) to seek the Committee's views on their role in the revised budget setting process.

**12.25 p.m. – 12.50 p.m.**

**14 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 69 - 74)**

To consider the Committee's Forward Work Programme (copy enclosed).

**12.50 p.m. – 1.00 p.m.**

**MEMBERSHIP**

**Councillors**

Brian Blakeley  
Stuart Davies  
Peter Duffy

Martyn Holland  
Gwyneth Kensler  
Jason McLellan

**Lay Member**

Paul Whitham

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## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 10 April 2013 at 9.30 am.

### **PRESENT**

Councillors Martyn Holland, Gwyneth Kensler (Vice-Chair), Jason McLellan (Chair) and Paul Whitham (Lay Member).

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (RW), Corporate Improvement Team Manager (TW), Democratic Services Manager (SP), Audit Manager (BS), Technical Accountant (RIJ), Wales Audit Office Representatives (DO, AV and GB) and Committee Administrator (CIW).

#### **1 APOLOGIES**

Apologies for absence were received from Councillors Stuart Davies and David Simmons

#### **2 DECLARATION OF INTERESTS**

No Members declared any personal or prejudicial interests in any business identified to be considered at the 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 27<sup>th</sup> February, 2013 were submitted.

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

#### **5 TREASURY MANAGEMENT PRESENTATION**

As part of the Committee's training programme Members received a presentation by the Chief Accountant and Technical Accountant in respect of treasury management which focused on investments and provided an overview of the new budget planning process.

The key areas incorporated in the presentation included:-

- Treasury Management Statement.
- Current Treasury Position.
- Investment Strategy.
- Borrowing Strategy.
- Treasury Policy.
- Prudential Indicators.
- Separation of Duties.

In response to a request from Mr P. Whitham, the Chief Accountant agreed that a copy of the presentation be circulated to all Members of the Corporate Governance Committee.

**RESOLVED** – *that*

- (a) *the presentation be received, and*
- (b) *a copy of the presentation be circulated to all Members of the Committee.*

## **6 ANNUAL FINANCIAL AUDIT OUTLINE**

A report by the Head of Finance and Assets had been circulated.

The Wales Audit Office (WAO) Report, Appendix 1, set out matters such as roles and responsibilities, the audit approach, reporting, the audit fee, key elements of audit engagement and the financial audit team. The external auditors had been required to prepare and present the report in order to discharge their requirements of the auditing standards and proper audit practices. Appendix 2 included the key elements of the audit engagement, and Appendix 2 detailed the Audit Team.

The report outlined of the financial audit work required for the 2012-13 financial statements and the fees for undertaking the work, together with, information on the audit approach including the key audit risks which had been identified during the initial planning process and the actions proposed to address them. The financial audit work on risk areas would be used to inform the audit opinion on the financial statements.

Under the Public Audit (Wales) Act 2004 the Appointed Auditor had been required to examine and certify the financial statements of the Council and be satisfied that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The fees for work undertaken by the WAO in respect of the financial audit, which were an existing budget commitment for the Authority, had been included in the report. The audit process would highlight any significant risks and the management response to addressing or minimising the risk or impact.

The WAO representatives Mr D. Owen and A. Veal provided a summary of the Annual Financial Audit Outline Report, which had been circulated for information, and the following key areas were accentuated which related to the Annual Financial Audit Outline and the Appendices:-

- Roles and responsibilities.
- Audit approach.
- Reporting.
- Audit fees.
- Key elements of the audit engagement.
- Financial audit team

The following specific areas were highlighted and responses to issues raised were provided:-

- The importance of the rights of the public and electors to inspect the Council's financial statements and related documents, and where appropriate, to challenge items in the accounts.
- Key elements of the audit as set out in Appendix 2.
- Certification of grant claims and returns.
- Preparation of the accounts risks:-
  - Partnerships and collaboration - The HIA explained that the Lead Authority for partnership arrangements would assume responsibility for the audit process, He agreed to provide a list of partnership arrangements and details of Service Level Agreements to provide confirmation that there were reciprocal arrangements between LA with regard to the audit process.
  - Capital Programme
  - Council House valuations – Details of the council house valuation process was provided.
  - Accounting for Landfill Site obligations – The Chief Account explained that due to the relevant timescales the risks to Denbighshire were minimal.

Following further discussion it was:-

**RESOLVED** – *that the Committee receive and note the contents of the Annual Financial Audit Outline.*

## **7 ELECTRONIC VOTING SYSTEM**

A report by the Head of Legal and Democratic Services (HLDS), on the operation of the electronic voting system in the Council Chamber and the constitutional implications of changing the way in which it is used, had been circulated with the papers for the meeting.

The Council's Standing Orders set out the way in which voting takes place at meetings of the Council or its Committees and provide for voting to take place by a show of hands or affirmation of the meeting. The majority of meetings were held in meeting rooms where there were no electronic voting facilities and only Full Council and Planning Committee regularly meet in the Council Chamber.

The electronic voting system in County Hall's Chamber was used to produce quick, accurate numbers of Members and records the way that each Member casts their

vote and those records are occasionally requested by Councillors, the press and members of the public. The Council would be unlikely to release information of individual votes cast as the accuracy of the information could not be guaranteed. As the electronic voting system was only used to record the number of votes cast for, against or to abstain in respect of any matter to be decided at a meeting extra precautions would have to be in place to guarantee the accuracy of the record of votes allocated to named councillors.

The Democratic Services Manager confirmed that the present system could record how individual Members voted and possibly display the information on screen. He highlighted the problems which could be encountered which included ensuring that Members never moved from an allocated seat, or that their voting card always moved with them, and that checks were undertaken when issuing voting cards to eliminate any possibility of errors. Councillors might also have to assume responsibility for ensuring they had the correct voting card allocated to them and as these measures were not needed to allow the voting system to accurately count the number of votes cast they had not been introduced and the electronic record of individual votes cast had been viewed as a by-product of the system; not a reliable record. Additional precautions could be introduced if public access to the named voting records was agreed by Council, but this should not be retrospective as the accuracy of previously held data could not be guaranteed.

It was explained by the HLDS that there was a procedure in the Standing Orders for recording the way votes were cast, which involved each Councillor declaring how they were voting. A recorded vote would be taken where one sixth of the Members present demand it, and the results of a recorded vote would be set out in the minutes of the relevant meeting. He confirmed that the Standing Orders would need to be reviewed accordingly in the event of the introduction of an electronic voting system and, he stressed that procedures would need to be introduced to ensure that the Council could guarantee the accuracy of any information provided in response to a Freedom of Information request.

Members referred to the democratic process and the possible public perception of the Authority being unable to provide accurate information in respect of Member voting. It was suggested that the provision of compulsory training for Members, to stress the importance of the voting system and procedures, could assist in addressing the problems highlighted.

The Committee supported the suggestion but forward that prior to consideration of the introduction of the electronic voting system be referred to Council, the matter be referred to Group Leaders and all Members be made aware of any anomalies and the importance of the system.

During the ensuing discussion it was agreed that the Head of Legal and Democratic Services undertake a review the Council's Standing Orders, and the Democratic Services Manager provide a report in respect of Information Technology issues.

**RESOLVED** – *that:-*

(a) *the Committee receive and note the contents of the report.*



- (b) the introduction of the electronic voting system be referred to the Group Leaders prior to being presented to Council for consideration.*
- (c) all Members be made aware of any anomalies and the importance of the system.*
- (d) the Head of Legal and Democratic Services undertake a review the Council's Standing Orders, and*
- (e) the Democratic Services Manager provide a report in respect of Information Technology.*

## **8 WEBCASTING AND REMOTE ATTENDANCE**

A report by the Head of Legal and Democratic Services, outlining proposals made by the Welsh Government regarding the webcasting of Council meetings and the ability of Members to attend meetings remotely, had been circulated previously.

Welsh Government (WG) had made £1.2m available to Local Authorities (LA) to assist them in implementing the webcasting of Council meetings and the remote attendance at meetings by Members. Each LA would be entitled to a grant of £20k for webcasting and £20k for remote attendance and details of the webcasting process had been outlined in the report. The WG grant would be only available for one year with no guarantee of future funding. In addition to software licensing fees there may be additional resources required to operate the system in supporting the population of the timeline of archived material.

The WG and WLGA had facilitated meetings with Democratic Services Officers to discuss the issue of webcasting and a demonstration of one of the systems had been delivered. It was explained that it would be possible to webcast in such a way that translation services were available. There were no statutory obligations on Council's to webcast meetings but the service had become more common practice among LA's and webcasting would make meetings more accessible to the public. The HLDS outlined the advantages and disadvantages associated with webcasting Council meetings and he responded to questions from Members of the Committee.

The report provided details of how the decision would contribute to the Council's Corporate Priorities, cost implications, the consultation process and any risks and processes introduced to address them. The HLDAS responded to a question from Mr P. Whitham and confirmed that the technology had been established to introduce webcasting. However, there would be potential risks to the Authority in the event of any technical anomalies which could bring into question the public's perception of the Council. The HLDS explained that the equipment already installed by Denbighshire could reduce the initial implementations costs of the system, however the equipment had only been installed in the Council Chamber. The Committee agreed with the view expressed by the HLDS that a demonstration of the webcasting system be presented to Council Briefing.

The HLDS summarised the provisions of Section 4, Local Government (Wales) Measure 2011, which provides that reference in any statute to a meeting of the LA was not limited to a meeting of persons all of whom were present in the same place. A Member of an LA not present in the place where a meeting of that

Authority was held and was considered to be a 'Member in remote attendance' if a number of conditions were satisfied and these included:-

- (a) the Member in remote attendance was able at that time:
  - (i) to see and hear, and be seen and heard by the Members in actual attendance;
  - (ii) to see and hear, and be seen and heard by, any Members of the public entitled to attend the meeting who were present in that place and who exercise a right to speak at the meeting, and
  - (iii) to be seen and heard by any other Members of the public who were entitled to attend and are present at the meeting.
- (b) the Member in remote attendance was able at that time to hear, and be heard by, any other Member in remote attendance in respect of whom the conditions of paragraph (a) were satisfied at that time, and
- (c) use of facilities enabling the conditions in paragraphs (a) and (b) to be satisfied in respect of the member in remote attendance was not prohibited by the standing orders or any other rules of the authority governing the meeting.

It was explained that there would be no quorum for a meeting at any time when the number of Members in remote attendance was equal to, or greater than, the number of Members in actual attendance. Section 4 of the Measure had not yet been introduced but there were indications it would be later in the year. There were difficulties associated with the introduction of remote attendance and it was not clear that a system enabling a large number of remote attendees would be feasible.

Governance issues to be considered related to:-

- the confidentiality of Part II proceedings;
- the potential for challenge to decisions if the technology fails and members wishing to attend remotely are unable to attend and vote;
- the potential for inquorate meetings due to the balance between members attending remotely and those physically present at the meeting.

The Committee were informed that the Council's standing orders and procedures would need to be amended to make provision for the issues highlighted.

The following issues were raised by Members and responses provided by officers:-

- The possibility of Members attending for one agenda item only.
- Members attending in remote attendance would be classified as having attended the meeting in respect of Member attendance records.
- The Democratic Services Manager highlighted the possible technical problems which could be encountered and explained that there had been concerns expressed regarding the availability of technology to meet legislative requirements.

The Chair referred to the possible use of video conferencing with facilities provided at one specified location, which could overcome any technical problems and risks

which might be encountered as staff would be in attendance to address any technical issues which may arise. The HLDS explained that the provision of video conferencing facilities could meet the legislative requirements, and following a detailed discussion the Committee agreed that a report on the use of video conferencing be presented to Council Brief for consideration by Members.

**RESOLVED** – *that the Corporate Governance Committee:-*

- (a) agrees that a demonstration of the webcasting system be presented to Council Briefing, and*
- (b) a report on the use of video conferencing be presented to Council Briefing.*

## **9 WHISTLE BLOWING POLICY**

A copy of a report by the Head of Legal and Democratic Services, outlining the draft revision to the Council's Whistleblowing Policy, had been circulated previously.

The HLDS summarised the report which included the Council's current Whistleblowing Policy, Appendix 1, the revised draft policy, Appendix 2, and a Briefing Note for managers, Appendix 3.

He explained that the Council were committed to conducting its business in an open, transparent and ethical way and that the people who work for, or with, the Council would often be the first to realise that there was something wrong within the Council. The Whistleblowing Policy would encourage those who work for, or with, the Council to feel confident that they could raise genuine concerns about illegal, unethical or improper conduct and that they would be protected from harassment, victimisation or reprisals connected to the raising of their concerns.

The types of concerns covered by the Policy had been set out in paragraphs 2.2 and 2.3 of Appendix 2. Under the Officers' Code of Conduct, staff would be obliged to report illegal, improper or unethical conduct. The Public Interest Disclosure Act 1998 provided legal protection for workers, including contractors and agency staff, who raise genuine concerns and make disclosures in good faith about malpractice. It would be unlawful for an employer to dismiss anyone or allow them to be penalised or victimised on the basis that they had made an appropriate lawful disclosure in accordance with the Act.

The Policy set out how a concern may be raised and sought to make clear that whilst it was hoped that the culture of the organisation would make people feel comfortable about raising issues internally, and it would be important that the concern had been raised even if the matter had been taking to an external body. The Policy also set out contacts both internal and external to the Council with whom it would be appropriate to raise a concern, and detailed what an individual who raises a concern can expect from the Council by way of a response and gives guidance as to how the issue of confidentiality would be handled.

A briefing note, Appendix 3, had been developed to provide guidance for managers on how to deal with a concern if raised. In response to a question from the Chair the HLDS agreed that Trade Union representatives should receive the same

guidance as managers. It was explained that it would be necessary to ensure that awareness was raised amongst staff and others who work with the Council, and periodic awareness raising exercises would be required to ensure that the Policy remained visible to those who may wish to use it and to managers who may need to implement it. Details of the process for the introduction of the Policy were summarised by the HLDS, together with, the proposed regular workforce communication strategy which would convey regular messages, up-dates and reminders to members of staff. It was confirmed that an annual progress report would be presented to the Committee detailing the number and nature of complaints received.

In response to questions from Members, it was confirmed that the Trade Unions would be consulted and that the Whistleblowing Policy would only be present to the Local Joint Consultative Committee if any concerns or issues were raised and remained unresolved.

Mr P. Whitham referred to paragraph 5.4 of the Policy and the committee supported the request that an explanation be included in the Policy highlighting the difficulties which might arise when pursuing a complaint if the complainant wished to remain anonymous. The HLDS agreed to examine the processes of informing third parties of the Whistleblowing Policy when entering into arrangements with the Authority.

The HLDS responded to questions from Members and explained that the Policy stated that the raising of a concern would be more significant than who it was raised with, and that the complainant raise it with the person they felt most comfortable with.

**RESOLVED** – that:-

- (a) subject to the agreed minor amendments, the Committee receive and approve the draft revised policy, and
- (b) the draft policy be referred to the Trade Unions prior to being presented to Council for approval.

## **10 CORPORATE SELF ASSESSMENT**

A copy of a report by the Corporate Improvement Manager (circulated previously) presented the Council's annual Corporate Self-Assessment (CSA) for 2013.

The Corporate Improvement Team Manager (CITM) explained that the Council produced an annual self-assessment to comply with its statutory obligation to "make arrangements to secure continuous improvement", as required under the Local Government (Wales) Measure 2009. Self-assessment provided an understanding of strengths and weaknesses in relation to key processes, such as strategic planning; performance management; workforce planning; and financial management.

The conclusion detailed areas for improvement identified in the assessment.

The document had been compiled based on the established style and questioning of previous CSA's, having had input from relevant officers and using the most up-to-date information. The plans for disseminating and communicating the CSA would include:-

- Send to the Wales Audit Office, who would consider it as part of its Annual Improvement Report for the Council.
- Circulate to the Corporate Governance Committee, for information.
- Circulate to the Performance Scrutiny Committee, for information.
- Publish on the Council website, alongside the Annual Performance Report and the Wales Audit Office Annual Improvement Letter.
- Publish on the intranet.

The CSA provides the opportunity for the Council to take an inward look at itself to identify any weaknesses in its key processes and to consider how things may be done more efficiently and effectively. This supported the Council's commitment to 'modernising the Council to deliver efficiencies and improve services for customers'.

Input to the Corporate Self-Assessment had been provided by the Senior Leadership Team (SLT) and other relevant officers, including Internal Audit. The report had been presented to CET and SLT in February, 2013 and any comments or suggestions had been incorporated into the document.

The CITM concurred with the views of the Chair that there should be Member involvement in the development and analysis of the strengths and weaknesses of the Council's corporate arrangements. In response to a question from Mr P Whitham regarding poor attendance at Scrutiny training sessions, the HLDS summarised the sessions held and provided details of the future training programme.

Councillor G.M. Kensler explained that she disagreed with the statement that "Members feel engaged with the budget setting process", the HLDS referred to the forthcoming committee timetable and explained that specific sessions had been allocated for the budget setting process. Councillor Kensler expressed concern regarding Scrutiny and Challenge, particular reference being made to the question of the categorisation of Performance, and to issues relating to Consultation and Engagement and the role, terms of reference and constitution of the Member Area Groups (MAGs). The HLDS explained that the MAG's were consultative bodies and were not authorised or empowered to make decisions.

In reply to a question from the Chair, the CITM highlighted the concerns regarding the need for a more coordinated self-assessment in respect of the WAO, CSSIW and Estyn. He acknowledged the need for improvements and summarised the processes to be introduced and adopted to address the areas of concern.

**RESOLVED** – *that the Corporate Governance Committee receive and note the contents of the Self-Assessment for 2013, as attached at Appendix I.*

## 11 CORPORATE GOVERNANCE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT 2012/13

A copy of a report by the Head of Internal Audit (HIA) on the Council's Corporate Governance Framework (CGF), which contribute to the production of the Annual Governance Statement (AGS) and presented the Draft AGS for 2012/13, had been circulated with the papers for the meeting.

The HIA explained that the Corporate Governance Committee recommends the adoption of the AGS each year as part of the Council's Statement of Accounts. The Council's Governance Group had consulted the Committee at an early stage to allow it more time to discuss and challenge the Framework and AGS. The Chief Executive and Leader would be required to sign the final version of the AGS, which the Committee would approve in June, 2013. The HIA explained that he would welcome any comments or suggestions from Members prior to a further progress report being presented to the Committee at its May, 2013 meeting.

A PowerPoint presentation was provided by the HIA on the Corporate Governance Framework which included:-

- Code of Corporate Governance.
- 6 Principles.
- Gathering Evidence.
- Governance Group.
- Governance Framework.
- Assurance Sources.
- Self-Assessment.
- Annual Governance Statement.

The HIA referred to the national review of Governance Frameworks undertaken by the Wales Audit Office. The Wales Audit Office agreed that a presentation be provided on this issue to the Committee at its meeting in May, 2013. During the ensuing discussion the officers responded to questions from Members and it was:-

**RESOLVED** – *that the Corporate Governance Committee receives:-*

- (a) *the Corporate Governance Framework and Draft Annual Governance Statement 2012/13, and*
- (b) *a presentation by the Wales Audit Office on the national review of Governance Frameworks.*

## **12 INTERNAL AUDIT STRATEGY 2013/14**

A copy of a report by the Head of Internal Audit (HIA), previously circulated, introduced the Internal Audit Strategy for 2013/14.

The HIA summarised the report which introduced the Internal Audit Strategy for 2013/14. He explained that all the necessary background information had been included in the Strategy document circulated with the papers for the meeting.

The HIA invited Members attention to the key point highlighted on Page 3 of the Strategy, which explained that the Council may be requested to continue their work in National Resources Wales, previously our Countryside Council for Wales Contract. In the event of this happening a revised Strategy would be produced for consideration by the Committee.

Members were informed that the Corporate Governance Committee's terms of reference include approval of Internal Audit's plan of work.

The HIA provided a summary of the Internal Audit Strategy 2013/14 report and outlined the main objectives. He explained that the Assurance Plan linked closely with the Governance Framework and highlighted the importance and relevance of the external contracts, particular reference being made to the contracts with the Countryside Council for Wales, North Wales Police and the Natural Resources Wales.

Details of the Assurance strategy 2013/14 was provided for the Committee which detailed Essential Assurance, Risk-based Assurance, External Contracts, Contingencies and IA Support. In response to a suggestion by Mr P. Whitham it was agreed that the Assurance Strategy be presented to the Committee on a quarterly basis for information purposes.

**RESOLVED** – *that the Corporate Governance Committee:-*

- (a) approves the internal Audit Strategy 2013/14, and*
- (b) agrees that the Assurance Strategy be presented to the Committee on a quarterly basis.*

### **13 INTERNAL AUDIT PROGRESS REPORT**

A copy of a report by the Head of Internal Audit had been circulated previously.

The HIA introduced the report 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. The information provided had been to the 17<sup>th</sup> March, 2013 and the Committee would receive the final outturn position in the Internal Audit Annual Report at its next meeting.

The report provided an update in respect of:-

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

The HIA referred to the delivery of the Internal Audit Operational Plan 2012/13 and explained that Appendix 1 provided a breakdown of work during 2012/13, compared to the revised Internal Audit Strategy. It includes assurance scores and number of issues raised for the completed reviews, definitions used to form our audit assurance and the ratings used to assess the risk-levels for issues raised.

A summary of the following Recent Internal Audit Reports, issued since February, 2013, which had been identified as a moderate risk, were provided by the HIA:-

- Domiciliary Care Package Review.
- Project Management – IT Related Projects.

Details pertaining to management's response to issues raised by Internal Audit had been included in the report, together with, Internal Audit Performance – Key Measures.

Measure - Review 100% of agreed S151 Assurance areas in Operational Audit Plan by 31<sup>st</sup> March, 2013. Work on all three projects had been completed, with one draft report to be finalised.

Measure - Review 100% of agreed Corporate Governance Assurance areas in Operational Audit Plan by 31 March 2013. Work completed on three of the four projects (75%), with the draft report for the review of risk management imminent.

Measure - Review 100% of High Inherent Risks from the Corporate Risk Register by 31 March 2013. Work completed work on all six risks.

In response to questions from the Chair and Councillor G.M. Kensler, the HIA confirmed that follow up reports could be provided in respect of the 12 moderate issues pertaining to Public Realm and the timescales for work undertaken in respect of housing maintenance.

**RESOLVED** – *that Committee*

- notes Internal Audit's progress and performance to date in 2012/13.*
- receives the recent Internal Audit reports issued, and*
- agrees that follow up reports be provided in respect of the issues pertaining to Public Realm and the timescales for work undertaken in respect of Housing Maintenance.*

## **14 INTERNAL AUDIT CHARTER**

A copy of a report by the Head of Internal Audit, which introduced the revised Internal Audit Charter, had been circulated with the papers for the meeting.

The HIA provided a summary of the revised Internal Audit Charter. He explained that the current Internal Audit Charter had been produced in 2010 in line with the Institute of Internal Auditors professional standards. The new Public Sector Internal Audit Standards had come into force on the 1<sup>st</sup> April, 2013 and the Corporate Governance Committee had been requested to approve a revised Charter which complied with the requirements of the new Standards.

The HIA provided a brief summary of the contents of the revised Internal Audit Charter which included:-



- Background to the Internal Audit Charter.
- Internal Audit in Denbighshire County Council.
- Head of Internal Audit's reporting lines.
- Internal Audit's access rights.
- The scope of Internal Audit's work.
- Internal Audit's resources.
- Conflicts of interest and other responsibilities.

In response to a question from Mr P. Whitham the HIA and HLDS agreed that a report in respect of accessing records to third parties, by Internal Audit, could be provided.

**RESOLVED** – *that*

- (a) *the Committee approves the revised Internal Audit Charter, and*
- (b) *a report in respect of accessing records to third parties by Internal Audit be provided for the Committee.*

## 15 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance Committee's Forward Work Programme (previously circulated) was presented for consideration. Members discussed potential amendments to the work programme and various business items with officers and after consideration the Committee agreed:–

- The Internal Audit Progress report be removed from the Forward Work Programme for May, 2013 as it would form part of the Annual Report.
- To include in the Forward Work Programme for the May, 2013 meeting a presentation by the Wales Audit Office on the national review of Governance Frameworks.

**RESOLVED** – *that, subject to the above, the Committee approves the Forward Work Programme.*

Meeting ended at 12.45 p.m.

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# Agenda Item 8

**Report To:** Corporate Governance Committee

**Date of Meeting:** 22 May 2013

**Report Author:** Head of Internal Audit Services

**Title:** Internal Audit Progress Report

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## 1. What is the report about?

This report updates the Committee on the latest Internal Audit reports issued.

## 2. What is the reason for making this report?

To bring Members up to date regarding:

- recent Internal Audit reports issued
- management's response to issues we have raised

## 3. What are the Recommendations?

Committee considers and comments on recent Internal Audit reports issued and follow up reviews carried out.

## 4. Summary of Recent Internal Audit Reports

Our reports use colours for assurance ratings as follows:

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

Since my report in April 2013, we have issued the following reports.

| Audit Report                   | Audit Opinion | Issues Raised       |                    |                        | Comments |
|--------------------------------|---------------|---------------------|--------------------|------------------------|----------|
|                                |               | Critical Risk (Red) | Major Risk (Amber) | Moderate Risk (Yellow) |          |
| Corporate Risk - Collaboration | <b>Green</b>  | 0                   | 0                  | 0                      | None     |
| Winter Maintenance             | <b>Yellow</b> | 0                   | 0                  | 10                     | None     |
| Oak Tree Centre, Rhyl          | <b>Yellow</b> | 0                   | 0                  | 9                      | None     |

### **Management's response to issues raised by Internal Audit**

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.

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 or asking for a written report to explain lack of progress.

We recently issued two follow up reports that were originally rated as 'amber' or 'low' assurance and remain 'amber' due to lack of significant progress.

| <b>Pavilion Theatre, Rhyl</b> |                             |                              |                                |                                   |                                   |
|-------------------------------|-----------------------------|------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
|                               | <b>No. of Issues Raised</b> | <b>No. of Actions Agreed</b> | <b>No. of Actions Complete</b> | <b>No. of Actions In Progress</b> | <b>No. of Actions Outstanding</b> |
| <b>Critical Risk (Red)</b>    | 3                           | 5                            | 1                              | 4                                 | 0                                 |
| <b>Major Risk (Amber)</b>     | 2                           | 4                            | 2                              | 1                                 | 1                                 |
| <b>Moderate Risk (Yellow)</b> | 8                           | 13                           | 5                              | 7                                 | 1                                 |
| <b>Data Protection/FOI</b>    |                             |                              |                                |                                   |                                   |
| <b>Major Risk (Amber)</b>     | 4                           | 4                            | 0                              | 4                                 | 0                                 |
| <b>Moderate Risk (Yellow)</b> | 3                           | 3                            | 0                              | 0                                 | 3                                 |

**Report To:** Corporate Governance Committee

**Date of Meeting:** 22 May 2013

**Report Author:** Head of internal Audit Services

**Title:** Internal Audit Annual Report 2012-13

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## **What is the report about?**

This covering report presents the Head of Internal Audit's Annual Report for 2012-13, which:

- provides our opinion on the overall adequacy and effectiveness of the Council's internal control environment;
- discloses any qualifications to our opinion, together with the reasons for the qualification;
- presents a summary of the work that we have undertaken to formulate our opinion, including reliance placed on work by other assurance bodies;
- draws attention to any issues that we deem particularly relevant to the preparation of the Annual Governance Statement; and
- comments on compliance with relevant internal audit standards

## **What is the reason for making this report?**

During 2012-13 we have been working to The 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (2006), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) Internal Audit Standards. Both sets of standards require an annual internal audit report to the 'audit committee'.

For information, from 1 April 2013, the Public Sector Internal Audit Standards replace the above standards, but the requirements for an annual internal audit report remain.

## **What are the Recommendations?**

The Corporate Governance Committee discusses and approves the Internal Audit Annual Report 2012-13, including the overall Audit Opinion included within it.

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# **Internal Audit Annual Report 2012-13**

**Ivan Butler MBA, CMIIA  
Head of Internal Audit Services**

**May 2013**

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## Why do we have an Annual Internal Audit Report?

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The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (2006), and the Chartered Institute of Internal Auditors (CIIA) Internal Audit Standards both require the 'head of internal audit' to provide an annual report to the 'audit committee'.

The Internal Audit Annual Report:

- provides our opinion on the overall adequacy and effectiveness of the Council's internal control environment;
- discloses any qualifications to our opinion, together with the reasons for the qualification;
- presents a summary of the work that we have undertaken to formulate our opinion, including reliance placed on work by other assurance bodies; and
- draws attention to any issues that we deem particularly relevant to the preparation of the Annual Governance Statement.

## What is the internal control environment?

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The overall adequacy and effectiveness of the Council's 'internal control environment' means the policies, procedures and operations in place to:

- establish and monitor the achievement of the Council's priorities and objectives;
- identify, assess and manage the risks to achieving the Council's priorities and objectives;
- facilitate policy and decision-making;
- ensure the economical, effective and efficient use of resources; and
- ensure compliance with established policies, procedures, laws and regulations.

## Compliance with internal audit professional standards

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Throughout the year, Internal Audit has complied with the CIPFA Code and CIIA Standards in terms of:

- clearly setting out and agreeing its purpose, authority and responsibility;
- providing an independent and objective service;
- delivering its service with proficiency and due professional care;
- maintaining a robust quality assurance and improvement programme;
- having efficient management, ensuring that it provides added value to the Council;
- evaluating and contributing to the improvement of the Council's governance, risk management and control processes;
- planning its work effectively;
- performing audit projects effectively;
- communicating results of its work;
- following up the outcome of its work; and
- resolution of senior management's acceptance of risks.

## Summary of Internal Audit's work during the year

We report our progress, performance and project reports to the Corporate Governance Committee regularly.

We achieved our 100% target for completion of 'Essential Assurance' from our Internal Audit Strategy and issued 33 final reports during 2012/13, with the following assurance ratings:

|               |                  |    |
|---------------|------------------|----|
| <b>Green</b>  | High Assurance   | 11 |
| <b>Yellow</b> | Medium Assurance | 15 |
| <b>Amber</b>  | Low Assurance    | 6  |
| <b>Red</b>    | No Assurance     | 1  |

| Area of Work                                                                                             | Status of Project | Assurance Rating | Comments                                         |
|----------------------------------------------------------------------------------------------------------|-------------------|------------------|--------------------------------------------------|
| <b>Financial Assurance</b>                                                                               |                   |                  |                                                  |
| Financial Systems – Rhyl based                                                                           | Complete          | <b>Green</b>     |                                                  |
| Financial Systems – Ruthin based                                                                         | Draft report      | <b>Yellow</b>    | Discussing draft report and agreeing action plan |
| Financial Systems Assurance Testing (IDEA) 2011-12                                                       | Complete          | <b>Green</b>     |                                                  |
| <b>Grants &amp; Certification Assurance</b>                                                              |                   |                  |                                                  |
| Sustainability/Climate Change                                                                            | Complete          | <b>Yellow</b>    |                                                  |
| Breakfast initiative Grant                                                                               | Complete          | <b>Green</b>     |                                                  |
| WG 6 <sup>th</sup> Form Funding – Ysgol Dinas Bran, Llangollen                                           | Complete          | <b>Green</b>     |                                                  |
| WG Student Finance Certification                                                                         | Complete          | <b>Green</b>     |                                                  |
| WG Adult Education Certification                                                                         | Complete          | <b>Green</b>     |                                                  |
| <b>Corporate Governance Assurance</b>                                                                    |                   |                  |                                                  |
| Risk Management                                                                                          | Draft report      | <b>Yellow</b>    | Discussing draft report and agreeing action plan |
| Corporate Performance Management                                                                         | Complete          | <b>Yellow</b>    |                                                  |
| <b>Management of Corporate Risks Assurance</b>                                                           |                   |                  |                                                  |
| The risk that we are unable to develop the staff and management capability to deliver the change agenda  | Complete          | <b>Green</b>     |                                                  |
| The risk that the time and effort invested in collaboration is disproportionate to the benefits realised | Complete          | <b>Green</b>     |                                                  |





| Area of Work                                                                                                                            | Status of Project | Assurance Rating | Comments                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|--------------------------------------------------------------------------------------------|
| The risk that the economic environment worsens beyond current expectations, leading to additional demand on services and reduced income | Complete          | Green            |                                                                                            |
| The risk that strategic ICT infrastructure does not enable improvement and support change                                               | Complete          | Green            |                                                                                            |
| The risk that our asset portfolio becomes an unmanageable liability and an obstacle to strategic planning                               | Complete          | Green            |                                                                                            |
| Service Assurance                                                                                                                       |                   |                  |                                                                                            |
| Direct Care Costs & Placements                                                                                                          | Complete          | Yellow           |                                                                                            |
| Ysgol Clawdd Offa, Prestatyn                                                                                                            | Draft report      | Amber            | Discussing draft report and agreeing action plan                                           |
| Rhyl High School                                                                                                                        | Complete          | Yellow           |                                                                                            |
| Trade Refuse                                                                                                                            | Complete          | Yellow           |                                                                                            |
| Public Realm                                                                                                                            | Complete          | Yellow           |                                                                                            |
| Corporate Health & Safety - Fire Risk Assessments                                                                                       | Complete          | Amber            | Follow up due in May 2013                                                                  |
| Business Continuity Planning                                                                                                            | Complete          | Amber            | Now reported as corporate project to CET                                                   |
| Winter Maintenance                                                                                                                      | Complete          | Yellow           |                                                                                            |
| Home to School Transport                                                                                                                | Complete          | Yellow           |                                                                                            |
| Housing Maintenance                                                                                                                     | Complete          | Red              | Report formed part of wider improvement project in the service. Follow up due in June 2013 |
| Translation Service                                                                                                                     | Complete          | Yellow           |                                                                                            |
| Community Buildings - Rhyl Town Hall                                                                                                    | Complete          | Yellow           |                                                                                            |
| Pavilion Theatre, Rhyl                                                                                                                  | Complete          | Amber            | Follow up due April 2013                                                                   |
| Integrated Children's Centres                                                                                                           | Complete          | Yellow           |                                                                                            |
| Strategic Human Resources                                                                                                               | Complete          | Amber            | Remains 'amber' after recent follow up review                                              |
| IT Operations Management                                                                                                                | Complete          | Yellow           |                                                                                            |
| IT Project Management                                                                                                                   | Complete          | Yellow           |                                                                                            |
| Data Protection & FOI                                                                                                                   | Complete          | Amber            | Follow up due April 2013                                                                   |

## Internal Audit Opinion 2012-13






In my opinion, Denbighshire County Council can have 'medium' assurance in the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

There are no qualifications to this opinion.

In forming this opinion, the Head of Internal Audit has used the same assurance ratings that Internal Audit uses in its reports.

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

The Head of Internal Audit has based his 2012-13 Opinion on:

-  the scope and outcome of Internal Audit's work during the year;
-  Internal Audit report opinions and assurance ratings;
-  the issues and risks that Internal Audit has raised during the year;
-  the effectiveness of management's response to the issues and risks that Internal Audit has raised; and
-  the outcome of the Council's review of its Corporate Governance Framework and Annual Governance Statement for 2012-13.

## Issues relevant to the Annual Governance Statement

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Although we issued one 'red' assurance rating and six 'amber' assurance ratings, most of the issues in those reports related to service performance rather than significant governance issues for the Council's Annual Governance Statement (AGS).

All of the main financial, governance and corporate risk areas received either 'green' or 'yellow' assurance. The main issues from our work that are relevant to the AGS relate to our reviews of Strategic Human Resources (HR) and Data Protection/FOI.

In our review of Strategic HR, we raised one major and ten moderate issues. Our follow up review showed that little progress had been made with the agreed action plan, which resulted in the service being invited to Corporate Governance Committee to explain the lack of progress. We are due to follow up the action plan again in July 2013, when the service will report back to the Corporate Governance Committee on progress.

Our review of Data Protection/FOI is part of the larger area of information governance, which is currently being restructured and reviewed. We raised four major and three moderate issues and are due to follow these up in April 2013. However, information governance has appeared previously in the AGS and remains a significant area for improvement.

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**Report To:** Corporate Governance Committee

**Date of Meeting:** 22 May 2013

**Report Author:** Head of Internal Audit Services

**Title:** Draft Annual Governance Statement 2012/13

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**1. What is the report about?**

This is a covering report for discussion on the Draft Annual Governance Statement (AGS) for 2012/13.

**2. What is the reason for making this report?**

The Corporate Governance Committee recommends the adoption of the AGS each year as part of the Council's Statement of Accounts. The Council's Governance Group is consulting the Committee to allow it to discuss and challenge the AGS.

The Chief Executive and Leader sign the final version of the AGS, which the Committee will approve in June 2013.

**3. What are the Recommendations?**

Committee considers the Draft AGS 2012/3, challenging and recommending more work or improvements if it deems necessary.

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# ANNUAL GOVERNANCE STATEMENT 2012-13

## Why do we need an Annual Governance Statement?

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- Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively.
- In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk. Good governance is essential to both the Council and the public. It supports the Council in making the right decisions, reduces the likelihood of things going wrong and protects it when problems do occur. It inspires confidence in the public that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.
- We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This Annual Governance Statement explains how we have complied with the Code during 2012-13 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

## What is good governance?

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- Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable way. It comprises our systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an on-going process to identify and prioritise the risks to achieving our priorities, policies, aims and objectives, to evaluate their likelihood and to manage them should they occur. However, the system of internal control cannot eliminate all risk and can only provide reasonable and not absolute assurance of effectiveness.
- Our governance framework has been in place and has been improved for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts.
- Section 3 of this Annual Governance Statement provides an overview of our governance arrangements. We provide a detailed review in Appendix 1.

# Summary of our governance assurance arrangements

## Where do we need assurance?

- Delivery of corporate priorities
- Service performance and quality
- Financial planning and performance
- Partnership governance and effectiveness
- Project management and delivery
- Procurement processes
- Management and engagement of our staff
- Clarity of roles and responsibilities
- Decision making protocols
- Leadership effectiveness
- Standards of conduct and ethics
- Compliance with laws, regulations etc.
- Effectiveness of the scrutiny function
- Effectiveness of internal control
- Management of risks
- Training and development of elected members and staff
- Community engagement
- Openness and transparency

## What do we have in place?

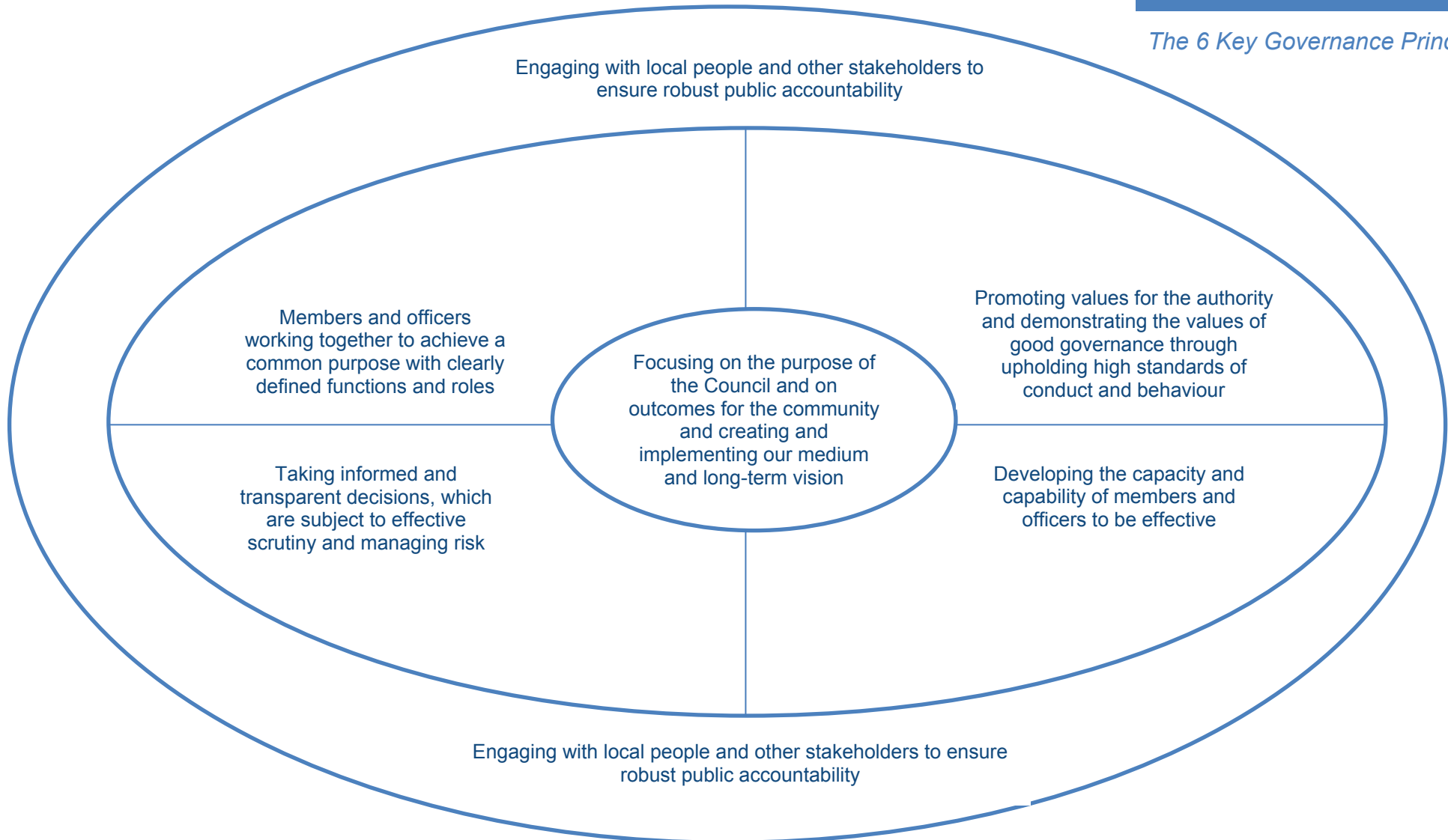
- Corporate Plan
- Frameworks for measuring service and employee performance
- Effective financial management e.g. Annual Statement of Accounts, Medium-term Financial Plan, regular reporting of performance
- Customer feedback and complaints processes
- Partnership governance framework
- Project management methodology
- Corporate procurement strategy
- HR strategy, policies and procedures
- Council Constitution and democratic arrangements e.g. Corporate Governance Committee, Standards Committee, scrutiny function
- Scheme of delegation for decision making
- Specific job roles for CEO, S151 Officer and Monitoring Officer
- Member/officer protocols
- Terms and conditions for remuneration
- Officer and member codes of conduct
- Registers of interest/hospitality
- Anti-fraud and corruption policy and whistleblowing arrangements
- Financial Regulations
- Staff and member training
- Risk management framework
- Equalities framework
- Core Values
- Effective systems, processes and controls
- Effective methods for engaging employees, customers, stakeholders etc.

## Where can we get assurance?

- External auditor reviews and reports
- Internal Audit reviews and reports
- Internal audit planning linked to governance framework and risk
- Estyn reviews and reports
- CSSIW reviews and reports
- External consultant reports
- Self-assessments
- Peer reviews
- On-going review of governance
- Partnership boards
- Council's democratic arrangements e.g. scrutiny and 'audit' committees
- Staff surveys

# Key principles of our governance framework

*The 6 Key Governance Principles*



## Review of effectiveness of our governance framework

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- The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. We review our effectiveness on an on-going basis through our Governance Group and the outcomes of this are contained within Appendix 1, informed by the work of those managers with responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report 2012/13, and by comments made by the external auditors and other review agencies and inspectorates.
- We also carry out an annual Corporate Self-assessment to support compliance with our statutory obligation to make arrangements to secure continuous improvement (as required under the Local Government (Wales) Measure 2009). This helps us to understand our strengths and weaknesses in relation to our key processes, such as strategic planning, performance management, workforce planning and financial management. In future, we are considering combining our governance and corporate self-assessments to provide a more efficient self-assessment process.

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### How have we maintained, reviewed and improved our framework this year?

- Our Internal Audit service has a comprehensive assurance plan that works alongside the governance framework and ensures that the Head of Internal Audit can provide an opinion on governance, risk and internal control as part of his annual report. Audit assurance can be High, Medium, Low or None. The overall audit assurance for 2012/13 is Medium.
- We regularly review of our financial systems and have implemented a restructuring of our Management Accounting function to support services in the most efficient manner and bring a greater focus on value for money, compliance and efficiency within services. We have also commenced work on new Financial Regulations for the Council. Internal Audit reviews financial systems annually and has provided High and Medium assurance opinions.
- We regularly update our Corporate Risk Register with the Corporate Executive Team (CET). Internal Audit reviews how we manage the high inherent risks in the risk register and has provided High or Medium assurance opinions in all cases.



- We have implemented a separation of duties within risk management so that Internal Audit can now carry out an independent and objective review. We have also provided training for elected members to ensure that they understand risk management. The recent Internal Audit review of corporate risk management provided.....not reported yet (will included in the final version of the AGS)
- We have improved our performance reporting against our Corporate Plan to elected members including our Annual Performance Review. Internal Audit reviewed corporate performance management, giving a Medium assurance rating and all improvements have since been implemented.
- We regularly review and update of our Constitution to take account of changing circumstances.
- Scrutiny committees are organised around key themes to enable a more corporate approach, and have shown their strength through the successful delivery of working group objectives. We have welcomed a peer review of our scrutiny function and await the outcome but we identified some improvements in our self-assessment while preparing for this review, which we will implement.
- We have developed a Governance Group of senior officers and the Chair and Vice-Chair of Corporate Governance Committee to oversee the Corporate Governance Framework, its action plan and the development of this Annual Governance Statement. We have also widened consultation on the Statement to include our Senior Leadership Team and earlier and better informed consultation with the Corporate Governance Committee.
- Corporate Governance Committee receives regular reports on progress with implementing actions to improve our governance framework. The action plan shows good progress and will be continued into 2013/14 with additional actions from this year's Annual Governance Statement.
- We have developed a new tool to show where the Council gets its assurance in all key governance areas and have used it to develop the Annual Governance Statement, linking it with the Internal Audit assurance plan and annual corporate self-assessment.
- We act on Internal Audit, external audit and other review agencies reports, developing action plans for Scrutiny Committee monitoring. Corporate Governance Committee maintains an overview of these action plans and holds services to account if they do not act on these.

## Significant governance issues

- Last year's Annual Governance Statement included one significant governance issue relating to information governance. We have taken steps to improve this area during the year, including reorganising and realigning the service, but a recent Internal Audit report on Data Protection and Freedom of Information showed that there is still a significant amount of work to do. We have therefore carried it forward as a significant issue this year.
- The significant governance issues in the table below, together with any less significant issues that we have identified in our review in Appendix 1 will be added to our Governance Assurance Framework Action Plan managed by the Council's Governance Group and monitored by the Corporate Governance Committee.

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| Significant Governance Issue                                                                                                                                                       | Proposed Action                                                                                                                                       | Timescale & Responsibility                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Strategic HR needs to implement improvements following an adverse Internal Audit report.                                                                                           | Action plan included with Internal Audit report to be implemented.<br><br>Corporate Governance Committee will receive a progress update in July 2013. | Included in Action Plan<br><br>Head of Strategic HR<br>3 July 2013 |
| We need to improve our information governance and implement improvement to our Data Protection and Freedom of Information arrangements following an adverse Internal Audit report. |                                                                                                                                                       |                                                                    |

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** ..... **(Leader)**.....**2013**

**Signed:** ..... **(Chief Executive)** .....**2013**

# Appendix 1 - Review of governance assurance arrangements

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| Key Principle 1                           | Focusing on the purpose of the Council and on outcomes for the community and creating and implementing our medium and long term vision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Our governance arrangements</b></p> | <ul style="list-style-type: none"> <li>• Our process for developing our new corporate priorities for 2012-17 was robust and inclusive, and we have systems in place to support their delivery and to ensure that we review them annually.</li> <li>• Our performance management framework helps us to translate our corporate priorities into the contribution expected from services and shows how we will monitor this.</li> <li>• We have a Medium Term Financial Plan and monitor and report regularly on our financial performance, producing an Annual Statement of Accounts. Our financial management arrangements support priorities and ensure financial health.</li> <li>• We monitor and report regularly on operational performance, producing an Annual Performance Review.</li> <li>• All services undergo performance challenges during the year.</li> <li>• Our customer feedback and complaints framework is designed to feed into service improvement.</li> <li>• We are involved in, and lead on, a number of regional and sub-regional collaboration projects, and have developed proper governance arrangements for our collaboration activity. We are recognised as a leader in terms of developing the partnership agenda, with a joint Local Service Board and an integrated strategic partnership plan (The BIG Plan).</li> <li>• We have improved our management of programmes and projects following a full review of the project management methodology, PRINCE2 training, and the procurement of a project management system.</li> <li>• Our human resources strategy and policies show how we manage our human resources and plan our future workforce.</li> </ul> |
| <p><b>Assurances received</b></p>         | <ul style="list-style-type: none"> <li>• Wales Audit Office Improvement Assessment Letters</li> <li>• Internal Audit reports on services, including corporate performance management, partnerships, strategic HR and financial systems</li> <li>• Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework</li> <li>• The BIG Plan</li> <li>• Various major partnerships, e.g. North Wales Procurement, Regional Food Waste, Regional School Improvement</li> <li>• Regular and year-end financial and performance reports to elected members</li> <li>• Wales Audit Office report on the Council's accounts and financial systems</li> <li>• Service Performance Challenge report</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

- Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees
- Partnership Scrutiny Committee and some joint scrutiny committees receive regular reports on partnership work
- Medium Term Financial Plan updates to Cabinet
- Various self-assessment reports, including, Corporate Self-Assessment, Social Services self-assessment, Estyn inspection self-assessment, service self-assessments
- Corporate Partnership Register
- Corporate Project Register reported to CET regularly

### Improvement Areas

- We still have work to do to develop how we will deliver some of our corporate priorities.
- We need to improve co-ordination of the various self-assessments that we carry out.
- Within our financial planning, we need to develop a more strategic approach to the efficiency programme for the difficult years ahead.
- We are developing new service standards to improve customer service further.
- We still have work to do to improve how we manage customer complaints.
- The configuration of Denbighshire's strategic partnerships is not yet right and requires further work.
- We need to re-launch our partnership framework to make sure that everyone is aware of it and uses it.
- We are improving our procurement strategy, systems and processes to achieve more financial savings.
- We are strengthening the Service Performance Challenge process for 2013.
- We will continue our work to fully embed programme and project management into our culture.
- Strategic HR needs to implement improvements following an adverse Internal Audit report.

## Key Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

### Our governance arrangements

- Our Constitution clearly sets out respective roles and responsibilities of the Cabinet and its individual members, particularly relating to governance. It includes our scheme of delegation for decision making.
- We ensure separation within key roles, such as CEO, S151 Officer and Monitoring Officer.
- The role of the S151 Officer ensures that appropriate advice is given on all financial matters, that the Council keeps proper financial records and accounts, and maintains an effective system of internal financial control.
- The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- We have a member/officer protocol to ensure constructive working relationships.
- We have agreed terms and conditions for remuneration of elected members and officers and an effective structure for managing the process.
- We have a performance management and appraisal process for officers.
- Our partnership framework requires partnerships to have clear objectives, clarity of roles and responsibilities, governance arrangements, funding arrangements, accountabilities and protocols for dispute resolution.

### Assurances received

- Constitution approved by County Council includes roles & responsibilities, key officer roles, member/officer protocol, remuneration scheme, scheme of delegation etc.
- Cabinet reports on budget setting and monitoring of financial performance
- Job descriptions outline the roles of key officers
- Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework
- Improvements made following the Internal Audit report on partnerships

### Improvement Areas

- We are developing a performance management framework for elected members.
- While we now have a partnership framework, we need to make sure that all current partnerships meet its requirements.

### Key Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

#### Our governance arrangements

- We have codes of conduct for officers and elected members.
- Our member/office protocol ensures high standards of behaviour.
- We operate a register of interests and hospitality and elected members have the opportunity to declare interests at meetings.
- Customers can use our feedback and complaints framework if they are not happy about conduct and behaviour.
- We have a policy on anti-fraud and corruption.
- Our Corporate Governance Committee acts as an 'audit committee', complying with the Local Government (Wales) Measure.
- We operate an independent and objective Standards Committee.
- Financial Regulations outline key responsibilities in respect of conflicts of interest, prejudice, bias etc.
- We have a set of core values for elected members and officers.
- Our performance appraisal process includes an assessment of conduct and application of core values.
- Our partnership framework includes a set of values against which decision making and actions can be judged.
- Our systems and processes are designed to comply with laws, regulations, internal policies and procedures and conform to appropriate ethical standards.

#### Assurances received

- Constitution approved by County Council includes codes of conduct, member/officer protocol, requirements for declarations of interest, Standards Committee role, Corporate Governance Committee terms of reference
- Committee meeting agendas and minutes showing declarations of interest from elected members
- Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees
- Head of Internal Audit review of Corporate Governance Committee terms of reference
- Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework
- Improvements made following the Internal Audit report on partnerships
- Internal Audit Annual Report 2012/3 giving assurance on the system of internal control

#### Improvement Areas

- We need to update our anti-fraud and corruption policy.
- We are updating our Financial Regulations.
- We are undertaking a self-assessment to ensure that the Corporate Governance Committee operates effectively as an audit committee.

## Key Principle 4

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

## Our governance arrangements

- We have a robust scrutiny function to challenge decision-makers constructively, including those who work in partnership with us.
- Our Council, Cabinet and committee meetings are open and transparent. We advertise meetings in advance, have transparent decision-making processes, publish decisions and have robust criteria for considering confidential reports.
- Elected members have the opportunity to declare interests at meetings.
- We have codes of conduct for officers and elected members.
- We operate a register of interests and hospitality.
- Our 'audit committee' is independent of the Cabinet to allow it to act objectively.
- Customers can use our feedback and complaints framework if they are not happy about the way we make decisions.
- We present external and internal regulator reports to the relevant committee and act on issues raised in those reports.
- We provided a comprehensive training programme for elected members following the last local elections.
- We have reviewed our committee reporting to provide more concise and clearer reports to our elected members to help decision making.
- We have processes in place to manage risk effectively and regularly update our Corporate Risk Register. We have provided separation of duties between co-ordination of risk management and the audit of risk management.
- We have an independent and effective internal audit service operating within professional auditing standards, providing a wide range of governance, risk, operational and financial assurance, including on partnerships.
- We have whistleblowing arrangements for elected members, officers and contractors.
- We have a robust system of internal control, both financially and operationally.
- Our partnership framework requires each partnership to assess risks and outline how it will manage them.
- Our Monitoring Officer makes sure that the Council follows agreed procedures and complies with all applicable statutes and regulations.
- The Constitution and scheme of delegation clearly outline statutory obligations of elected members and officers who make decisions.



## Assurances received

- Agendas, reports and minutes of Council, Cabinet, scrutiny and other committees
- Council meetings, papers and decisions published on the Council's website and in libraries
- Formal protocol for Part II reports
- Council's Constitution includes statutory obligations, codes of conduct, member/officer protocol, committee terms of reference etc.
- Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees
- Corporate Governance Committee and Performance Scrutiny minutes show consideration of internal and external regulator reports
- Updated corporate risk register presented to Performance Scrutiny Committee in February 2013
- Internal Audit Strategy 2012/13 and regular progress reports to Corporate Governance Committee
- Internal Audit Annual report 2012/13 giving a positive opinion on the system of governance, risk management and internal control
- Internal Audit's Charter outlining its status and independence
- Improvements made following the Internal Audit report on partnerships
- Internal Audit report on corporate risk management

## Improvement Areas

- We need to promote our scrutiny function among our stakeholders and provide further training for elected members. We will also implement any improvements arising from a recent peer review.
- We need to improve our information governance and implement improvement to our Data Protection and Freedom of Information arrangements following an adverse Internal Audit report.
- Our Corporate Self-assessment recognised some improvements needed in risk management and we will implement these and any additional issues arising from the recent Internal Audit review.
- We will update Internal Audit's Charter and carry out a self-assessment of the service to ensure that it complies with the new Public Service Internal Audit Standards.
- We are strengthening our research and intelligence functions to be more proactive in the way that we consider the external environment to support decision-making and strategic planning.
- We are updating our Whistleblowing policy.

## Key Principle 5 Developing the capacity and capability of members and officers to be effective

### Our governance arrangements

- We are developing our elected members to have the skills, knowledge and experience to carry out their roles effectively.
- New elected members received a comprehensive programme of training in the months following their election.
- We have made some improvements to workforce planning and the way we make use of our employees to achieve improvement.
- We have improved the rate of officer performance appraisals completed.
- We have a programme of corporate training in a variety of subjects.
- We encourage new ideas from inside and outside of the Council to improve our services and performance through community engagement, employee suggestion schemes, manager conferences, officer groups etc.

### Assurances received

- Strategic HR reports to CET on officer appraisal completion rates
- Cabinet Lead Member leading on elected member development project
- Training programme and attendance records for elected member training following election
- Community Engagement Plan
- Middle Managers conferences held regularly
- Bright Ideas scheme
- Corporate training programme
- The Hwb
- Learning Hub on Intranet

### Improvement Areas

- We need to do more to improve the flexibility of our workforce to enable us to use them in the areas of greatest need.
- We are developing a new training programme for elected members based on a needs assessment.
- There is still work to do to ensure that officer performance appraisals are completed at least once a year.

## Key Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability

### Our governance arrangements

- We have a scrutiny function that includes scrutiny of performance and of partnership arrangements.
- We have a Community Engagement Plan to ensure we take an active and planned approach to dialogue with the public.
- Our customer feedback and complaints framework allows the opportunity for views to be shared on service delivery.
- We have a co-ordinated approach to internal and external communications and media activities to publicise our priorities and the action we will be taking to improve services for those who live in, work in or visit the county.
- Our Council, Cabinet and committee meetings are open and transparent. We advertise meetings in advance, have transparent decision-making processes, publish decisions and have robust criteria for considering confidential reports.
- We maintain strong working relationships with our external partners, including the joint Conwy & Denbighshire Local Service Board, and actively engage with stakeholders and local communities.
- We have played a leading role in the North Wales Public Sector Equality Network, which has produced six shared objectives with agreed action areas to drive forward equality work across the region.
- We report regularly our financial performance. Our Annual Statement of Accounts is open to the public for inspection as required by legislation and the final version is accessible on our website.
- We report regularly on operational performance, producing an Annual Performance Review.
- We engage our employees through staff road shows, Excellence Denbighshire, staff surveys, CEO breakfast meetings, Staff Council etc.

### Assurances received

- Scrutiny committee agenda, reports, minutes etc.
- Partnership framework includes requirement for governance arrangements
- Member Area Groups
- Residents Survey 2011
- Town Plans
- Town & Community Council cluster groups
- Improvements made following the Internal Audit report on partnerships
- Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees
- Communication Strategy

- Community Engagement Plan
- Agendas, reports and minutes of Council, Cabinet, Scrutiny and other committees
- Council meetings, papers and decisions published on the Council's website and in libraries
- Formal protocol for Part II reports
- Strategic Equalities Plan.
- Positive Wales Audit Office report on the Council's accounts and financial systems
- Regular financial and performance reports to Scrutiny committees and Cabinet
- 'You Said, We Did' action plan following 2011 staff survey
- Agendas and minutes of Staff Council
- Denbighshire Volunteering Strategy
- Excellence Denbighshire awards

#### **Improvement Areas**

- We need to make sure that our employees are fully aware of the requirements of equalities legislation.
- The Consultation & Engagement Strategy needs to become embedded in our service delivery.
- We will roll out the Denbighshire Volunteering Strategy.
- We need to further improve the way we engage with business groups.

|                             |                                                                                   |
|-----------------------------|-----------------------------------------------------------------------------------|
| <b>Report To:</b>           | <b>Corporate Governance Committee</b>                                             |
| <b>Date of Meeting:</b>     | <b>22 May 2013</b>                                                                |
| <b>Lead Member/Officer:</b> | <b>Lead Member for Finance and Assets/<br/>Head of Finance and Assets</b>         |
| <b>Report Author:</b>       | <b>Head of Finance and Assets</b>                                                 |
| <b>Title:</b>               | <b>Review of Reserves, and Setting Up a<br/>Corporate Plan Investment Reserve</b> |

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**1. What is the report about?**

- 1.1 To consider the Council's current level of reserves, balances and provisions.

**2. What is the reason for making this report?**

- 2.1 To inform the committee on the level of funds that the Council currently holds.
- 2.2 To seek the Committee's views on changes to certain reserves prior to proposals being submitted to full Council.

**3. What are the Recommendations?**

- 3.1 That the Committee considers the contents of the report and comments on the proposed changes.

**4. Report details.**

**What are Reserves, Provisions and Balances?**

- 4.1 Reserves, balances and provisions are different names for money that the Council has set aside for various reasons. The reason it has been set aside will determine what it is classed as. Most organisations do this and it is similar to individuals having savings accounts.

**Earmarked Reserves**

- 4.2 These are funds that are set aside for specific reasons (this is why they are referred to as 'earmarked' reserves). Generally, we will be confident that the event will happen and that we have a good idea of how much it will cost. You have an element of control over the expenditure. It's like an individual saving up for a new car – they can decide when to buy and how much to spend.
- 4.3 Within the Council's Statement of Accounts you will see a number of items that may be referred to as reserves but are, in fact, accounting

adjustments and are not 'cash-backed' and are therefore not covered in this paper.

### Provisions

4.4 These are funds that are set aside against a specific event, but the timing and amount are uncertain. For example if you are being sued by someone, you may think that you will win but set aside a sum of money in case you lose. It will not necessarily be the full amount, but may be a proportion based on a risk assessment of the likely outcome.

### Balances

4.5 These are funds set aside for unforeseen events and are not related to any specific project or event. The amount set aside varies depending on the external environment, historic circumstances and the size of the organisation. The costs of the recent flooding events in Denbighshire would be met by these funds. Services have year-end balances that are simply as a result of timing issues – ie expenditure that may have been planned to take place in March and actually happens in April. This means they underspend on the year's budget which creates a year-end balance that is, generally, simply carried forward and spent in the new year.

- 4.6 There are three types of balances that are held by the Council
- **General balances** – available for the Council to use in most circumstances
  - **School balances** – held by individual schools for their own purposes and not available for use on other services (although the Council could choose to put a cap on these and remove any funds above that cap)
  - **HRA balances** – these are balances held within the Housing Revenue Account and are not available for any other service.

### How much money has the Council set aside?

4.7 The annual Statement of Accounts lists the end of year amounts held in each of the above categories although these will change in year as services add to or spend from them. The table below shows a summary of how much the Council currently has (note these figures are as at 31/03/12)

| Type               | Amount<br>£000 |
|--------------------|----------------|
| Earmarked Reserves | 28,704         |
| General Balances   | 7,575          |
| Service Balances   | 1,583          |
| School Balances    | 1,801          |
| HRA Balances       | 871            |
| Provisions         | 3,307          |
| <b>TOTAL</b>       | <b>43,841</b>  |

### **How Does The Council Decide How Much to Set Aside?**

- 4.8 The Council does not have a specific policy on how much it should keep in reserves and balances as they are generally driven by external factors. This means that services will propose new reserves or the Chief Finance Officer will recommend changes. The final decision is taken at Full Council at the end of each financial year.
- 4.9 The main driver behind these funds is an assessment of risk and this should be done on a regular basis. This is done at different times depending on the nature of the risk and the amounts involved. As financial conditions become more difficult perceived risk increases and Councils tend to build up their balances.
- 4.10 It is a difficult balance to strike between setting aside funds for financial safety and security and tying up much needed funds that may never be spent.

### **Does The Council Have the 'Right' Amount of Funding Set Aside?**

- 4.11 As part of its recent Corporate Plan, the Council decided it wanted to embark on an ambitious scheme of capital investment and that a new reserve – a 'Corporate Plan Investment Reserve' should be set up.
- 4.12 As part of this the Chief Finance Officer advised he would undertake a review of current funds to determine whether the current levels were reasonable and whether some reserves could be reduced and funding moved into the new reserve.

### **Proposed Changes**

- 4.13 Appendix 1 contains an analysis of current Earmarked Reserves and whether the risk profile still warrants retaining funds at the current level. Appendix 2 shows the proposed changes.
- 4.14 The analysis shows that £6.4m can be moved out of existing reserves into a new Corporate Plan Investment Reserve. This is because either the risks around the current reserve have reduced, the event has occurred or they were already set up for a similar purpose.
- 4.15 Moving the funds between reserves doesn't mean it has been spent, but that it is being earmarked for future investment. The Corporate Plan assumed that the Council would need to find around £25m from cash, reserves, capital receipts and redirecting revenue expenditure with a further £50m coming from borrowing. This review therefore identifies around 25% of the funds needed for the capital plan. Appendix 3 shows the amount of funding required to achieve the corporate plan and how much has been identified to date.

### **Approval Process**

- 4.16 If the Corporate Governance Committee support the recommendations then these will be included in the 'Outturn Report' to full Council in June

which tells members what our final end of year position is, agrees the creation of new reserves (such as this one) and will decide what to do with any underspends or overspends that have occurred in year.

- 4.17 It is likely that other funds will be allocated to this reserve as part of the year end process.

**5. How does the decision contribute to the Corporate Priorities?**

- 5.1 Delivery of the Corporate Plan is reliant on identifying funds to pay for the schemes contained in it.

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

- 6.1 There is no cost as the report identifies funds for investment in priority projects.

**7. What are the main conclusions of the Equality Impact Assessment undertaken?**

No EQIA has been undertaken as this is not relevant.

**8. What consultations have been carried out with Scrutiny and others?**

Discussions have taken place with the relevant Heads of Service.

**9. Chief Finance Officer Statement**

The report takes a reasonable view of the current need for the level of reserves held and sets up the Strategic Investment Reserve which is at the heart of the Council's ambition to invest in its Corporate Plan.

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

- 10.1 The risk of transferring funds between reserves is minimal. The risk of not specifically allocating funds to the Council's priorities means they may not have sufficient money to proceed.

**11. Power to make the Decision**

- 11.1 Under section 151 of the Local Government Act 1972, the Council must make appropriate arrangements for the proper management of its finances.

**Contact Officers:** Head of Finance and Assets      Tel: 01824 706140



APPENDIX 1 LIST OF RESERVES

|                                                   | Balance at<br>1 Apr<br>2010<br>£k | Balance at<br>31 Mar<br>2011<br>£k | Balance at<br>31 Mar<br>2012<br>£k | Comment                                 | Recommendation                  |
|---------------------------------------------------|-----------------------------------|------------------------------------|------------------------------------|-----------------------------------------|---------------------------------|
| <b>Council Fund:</b>                              |                                   |                                    |                                    |                                         |                                 |
| Capital Schemes                                   | -1,012                            | -865                               | -1,256                             | Projects underway - year end adjustment | Leave as is                     |
| PFI Grant (ii)                                    | -2,993                            | -3,263                             | -3,732                             | Required to fund PFI                    | Leave as is                     |
| Environmental Services                            | -92                               | -70                                | -129                               | Trading balance from DLO                | Leave as is                     |
| Early Retirement Fund – Schools                   | -91                               | -716                               | -716                               | New fund to support change in schools   | Leave as is                     |
| Modernising Education                             | 0                                 | -153                               | -353                               | Set up to fund schools capital          | Move £353k to Strategic Reserve |
| Youth Service                                     | -61                               | -61                                | -61                                | Due to be spent in 2012/13              | Leave as is                     |
| Integrated Children’s Centre                      | -49                               | -72                                | -83                                | Due to be spent in 2012/13              | Leave as is                     |
| Leisure Strategy                                  | -50                               | -50                                | -109                               | Due to be spent in 2012/13              | Leave as is                     |
| Insurance Fund                                    | -782                              | -572                               | -382                               | Internal funds to pay claims excesses   | Leave as is                     |
| Major Events Reserve                              | -139                              | -200                               | -188                               | Due to be spent in 2013/14 (Eisteddfod) | Leave as is                     |
| Town & Country Planning Act (s. 106) Requirements | -1,881                            | -1,846                             | -1,733                             | Due to be spent by 2013/14              | Leave as is                     |
| Capital Financing (VAT refund interest)           | -381                              | -860                               | -860                               | To offset increased borrowing costs     | Move £500k to Strategic Reserve |
| Elections                                         | -30                               | -55                                | -80                                | To fund additional costs of elections   | Leave as is                     |
| Risk Management Fund                              | -137                              | -129                               | -87                                | Funds insurance related works           | Leave as is                     |
| IT Networks Development                           | -110                              | -189                               | -162                               | Due to be spent in 2013/14              | Leave as is                     |
| Single Status (iii)                               | -663                              | -4,022                             | -4,725                             | Offset initial costs of Single Status   | Move £2.5m to Strategic Reserve |

**APPENDIX 1 LIST OF RESERVES**

|                                   |        |        |        |                                        |                                  |
|-----------------------------------|--------|--------|--------|----------------------------------------|----------------------------------|
| LABGI reserve                     | -149   | -149   | -149   | Unused Grant                           | Move £149k to Strategic Reserve  |
| Delivering Change (iv)            | -2,359 | -2,986 | -2,563 | Limited expenditure to date            | Move £1.75m to Strategic Reserve |
| Regeneration Project (VAT refund) | -285   | -166   | -164   | Assumed as part of Town Plans funding  | Leave as is                      |
| Winter Maintenance                | -273   | -402   | -402   | Unused                                 | Leave as is                      |
| Major Highways Projects           | -160   | -160   | -160   | Trading Account balance                | Leave as is                      |
| Llys Marchan Reserve              | -10    | -10    | -10    | No longer needed                       | Move £10k to Strategic Reserve   |
| Supporting People Reserve (v)     | -2,696 | -2,940 | -3,654 | Risk reduced                           | Move £1m to Strategic Reserve    |
| S.117 Mental Health Act           | -52    | -52    | -52    | Due to be spent by 2013/14             | Leave as is                      |
| Specialist PSS Placements         | -890   | -890   | -890   | Demand led                             | Leave as is                      |
| Environment Reserves              | -60    | -166   | -186   | Various small balances                 | Leave as is                      |
| Sustainable Waste Management (vi) | -676   | -1,749 | -3,449 | Specific Grant can't be used elsewhere | Leave as is                      |
| LDP Future Costs                  | -255   | -305   | -263   | LDP underway, unlikely to spend all    | Move £100k to Strategic Reserve  |
| Design & Development              | -95    | -25    | -120   | Trading Account balance                | Leave as is                      |
| External Funding Administration   | -115   | -165   | -134   | Grant surplus                          | Move £50k to Strategic Reserve   |
| Revenue Grants Unapplied          | -234   | -467   | -537   | Schemes underway                       | Leave as is                      |
| Area Member Reserve               | 0      | -300   | -199   | Schemes underway                       | Leave as is                      |
| CESI Pooled Budget                | 0      | -90    | -26    | Schemes underway                       | Leave as is                      |
| Planning Delivery for Wales       | 0      | -230   | -228   | Specific Grant can't be used elsewhere | Leave as is                      |
| Energy Efficiency Loan Scheme     | 0      | 0      | -14    | Schemes underway                       | Leave as is                      |

**APPENDIX 1 LIST OF RESERVES**

|                                      |                |                |                |                              |             |
|--------------------------------------|----------------|----------------|----------------|------------------------------|-------------|
| Superannuation Recovery              | 0              | 0              | -89            | Schemes underway             | Leave as is |
| N Wales Regional Transformation Fund | 0              | 0              | -63            | Schemes underway             | Leave as is |
| Training Collaboration               | 0              | 0              | -47            | Schemes underway             | Leave as is |
| Finance & Legal Reserves             | 0              | 0              | -92            | Schemes underway             | Leave as is |
| Transport Fund                       | 0              | 0              | -101           | To replace Yellow School Bus | Leave as is |
| Signing Schemes                      | 0              | 0              | -75            | Schemes underway             | Leave as is |
| Care Home fees                       | 0              | 0              | -358           | Schemes underway             | Leave as is |
| Social Care Amenity fund             | 0              | 0              | -23            | Schemes underway             | Leave as is |
| <b>Total</b>                         | <b>-16,780</b> | <b>-24,375</b> | <b>-28,704</b> |                              |             |

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**APPENDIX 2 Movement**

| Reserve                                 | Balance<br>£k  | Explanation                                                                                                                                                | Movement<br>£k | Revised<br>Balance<br>£k |
|-----------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------|
| Modernising Education                   | -353           | Set up to fund schools capital - Movement is simply 'tidying up'                                                                                           | 353            | 0                        |
| Capital Financing (VAT refund interest) | -860           | To offset increased borrowing costs - increase in costs did not occur, MTFP already assumes future budgetary increase                                      | 500            | -360                     |
| Single Status                           | -4,725         | Offset initial costs of Single Status and contribute to 'incremental drift' - this is now nearly complete and final costs will be nowhere near this figure | 2,500          | -2,225                   |
| Delivering Change                       | -2,563         | Limited expenditure to date - services have tended to absorb costs as incurred, will 'top up' each year                                                    | 1,750          | -813                     |
| ABGI                                    | -149           | Unused Economic Development Grant                                                                                                                          | 149            | 0                        |
| Supporting People Reserve               | -3,654         | Was set up to guard against large drop in grant over short period. Now known that grant will reduce more gradually and over a longer period                | 1,000          | -2,654                   |
| Llys Marchan Reserve                    | -10            | Dispute over costs, now settled                                                                                                                            | 10             | 0                        |
| LDP Future Costs                        | -263           | LDP underway, unlikely to spend all                                                                                                                        | 100            | -163                     |
| External Funding Administration         | -134           | Previous years' underspends for the costs of administering EU grants. Team now at full strength                                                            | 50             | -84                      |
| Capital Plan Investment Reserve         | 0              |                                                                                                                                                            | 6,412          | -6,412                   |
| <b>Total</b>                            | <b>-12,711</b> |                                                                                                                                                            |                | <b>-12,711</b>           |

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### Funding the Corporate Plan

On 9 October 2012 Full Council met to debate the Corporate Plan. The minutes show that:

‘During the ensuing discussion Members expressed their unanimous support for the recommendation contained in the report, and it was:-

**RESOLVED** – *that, subject to the agreed changes, Council approves the final draft of the Corporate Plan 2012-17 to enable the document to be translated and published.*’

The Corporate Plan set out an ambitious intention to invest in key projects in the county. The proposed expenditure is shown below:

| <b>Project</b>        | <b>DCC Funded</b> | <b>Other Funds</b> |
|-----------------------|-------------------|--------------------|
| 21C Schools           | £37m              | £37m               |
| Modernising Education | £21m              |                    |
| Extra Care Housing    | £7m               | £14m               |
| Cefndy                | £0.5m             |                    |
| Highways              | £6m               | £4.4m              |
| Economy               | £2m               |                    |
| Modernisation         | £4m               |                    |
| <b>TOTAL</b>          | <b>£77.5m</b>     | <b>£55.4m</b>      |

This shows that the Council needs to raise £77.5m over the next 5 years to achieve its ambitions. It is proposed to do this in 2 ways – Cash (use of reserves, balances, surplus cash and capital receipts) and borrowing.

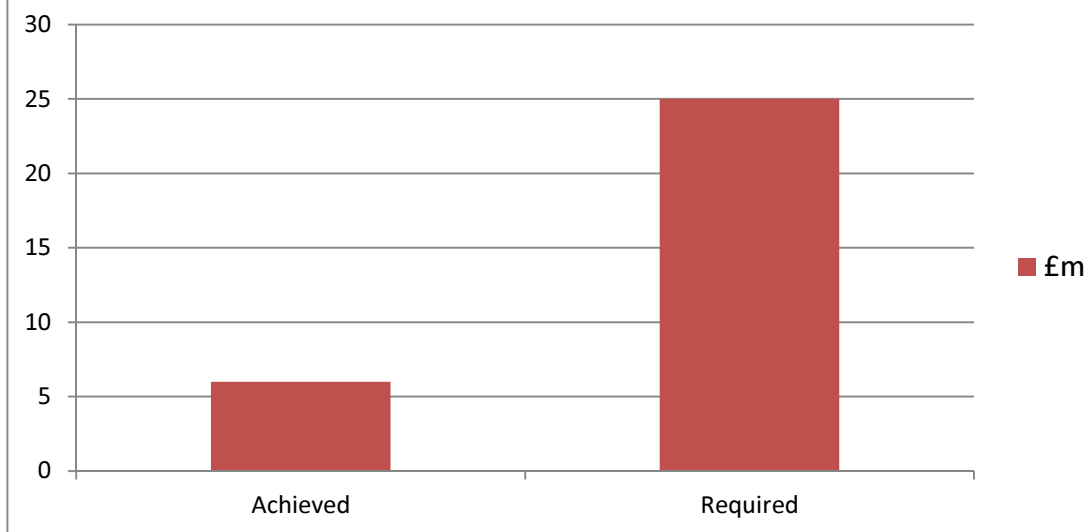
It is clear that this is a big task and the target for cash is about £25m or one third of the total, with £52m (two thirds) being funded through borrowing. The borrowing obviously has to be repaid and needs a revenue budget of around £3m to enable this. As part of the 2013/14 budget the Council set aside some budget to support this and some savings from school reorganisations will also be used.

Neither of these amounts is easy to achieve and the Council should not let itself become distracted from delivering its priorities. Once the cash begins to build up it is possible that we will be asked to spend this money on other projects. However, we have clearly and publicly stated our intention to deliver on the plan. Should we deviate from this we would have to clearly and publicly also state why we have changed and which projects within the Corporate Plan would be scrapped.

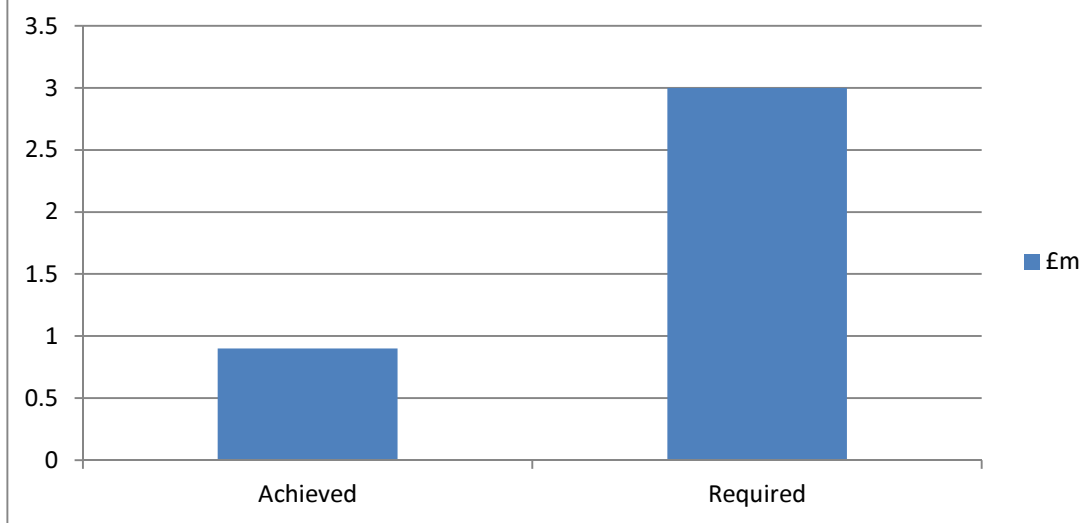
With the 21 Century Schools, Extra Care Housing and Highways there are also match funding elements. So, assuming the one third / two thirds split - £1 cash allows a further £2 borrowing which would lever in a further £3 match funding. So any reduction in the cash allocation would actually lose 5 times that amount from any project.

The two graphs overpage show the current shortfall in cash and budget to achieve the plan. The final table shows a notional split of current resources across the elements within the corporate plan.

## £m Cash Required to Fund the Corporate Plan



## £m Budget Required to Support the Corporate Plan Borrowing



| Project               | Target<br>£m | Cash<br>£m | Borrowing<br>£m | Total<br>£m |
|-----------------------|--------------|------------|-----------------|-------------|
| 21C Schools           | 37           | 3.4        | 6               | 9.4         |
| Modernising Education | 21           | 1.6        | 0.0             | 1.6         |
| Extra Care Housing    | 7            | 0.4        | 6.0             | 6.4         |
| Cefndy                | 0.5          | 0.5        | 0.0             | 0.5         |
| Highways              | 6            | 0.0        | 1.0             | 1.0         |
| Economy               | 2            | 0.2        | 0.0             | 0.2         |
| Modernisation         | 4            | 0.3        | 0.0             | 0.3         |
| <b>TOTAL</b>          | <b>77.5</b>  | <b>6.4</b> | <b>13.0</b>     | <b>19.4</b> |



## CORPORATE GOVERNANCE COMMITTEE: FORWARD WORK PROGRAMME

| DATE OF MEETING  | REPORT                                                                                                                                                                              | AUTHOR                                                                                            |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 3 July 2013      | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p> | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p> |
| 4 September 2013 | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p> | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p> |

|                   |                                                                                                                                                                                                                            |                                                                                                                                                  |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 27 September 2013 | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p> <p>Information Legislation ( tbc )</p> | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p> <p>Head of Legal &amp; Democratic Services</p> |
| 6 November 2013   | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p>                                        | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p>                                                |

|                  |                                                                                                                                                                                                                       |                                                                                                                                                  |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 18 December 2013 | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p>                                   | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p>                                                |
| 29 January 2014  | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p> <p>RIPA ( tbc by Lisa Jones )</p> | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p> <p>Head of Legal &amp; Democratic Services</p> |
| 26 March 2014    | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received</p>                                                                                            | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager</p>                                                                                    |

|             |                                                                                                                                                                                     |                                                                                                   |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
|             | <p>Internal Audit Progress Report</p> <p><b>Reports</b></p>                                                                                                                         | Head of Internal Audit Services                                                                   |
| 21 May 2014 | <p><b>Standing Items</b></p> <p>Issues Referred by Scrutiny Committees<br/>Recent External Regulatory Reports Received<br/>Internal Audit Progress Report</p> <p><b>Reports</b></p> | <p>Scrutiny Coordinator<br/>Corporate Improvement Manager<br/>Head of Internal Audit Services</p> |

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 02/05/2013 SLW**