

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 9 January 2013 at 9.30 am.

PRESENT

Councillors Raymond Bartley, Stuart Davies, Martyn Holland, Jason McLellan (Chair) and David Simmons together with Lay Member Paul Whitham

ALSO PRESENT

Corporate Director Modernisation and Wellbeing (SE), Head of Legal and Democratic Services (RGW), Head of Internal Audit Services (IB), Audit Manager (BS), Head of Finance and Assets (PM), Technical Accountant (RIJ), Service Manager: Quality and Systems Development (CM) and Committee Administrator (KEJ) together with Wales Audit Office Representatives (AV and GB) and Care and Social Services Inspectorate Wales Representatives (AM & SM).

1 APOLOGIES

Councillor Gwyneth Kensler

2 DECLARATION OF INTERESTS

No declarations of personal or prejudicial interest had been raised.

3 URGENT MATTERS

No urgent matters had been raised.

4 MINUTES

The minutes of the Corporate Governance Committee held on 14 November 2012 were submitted.

***RESOLVED** that the minutes of the meeting held on 14 November 2012 be received and approved as a correct record.*

5 LOCAL AUTHORITY SOCIAL SERVICES INSPECTION EVALUATION AND REVIEW 2011 - 12

The Corporate Director Modernisation and Wellbeing (CD:MW) submitted a report (previously circulated) setting out the key issues arising from the Care and Social Services Inspectorate Wales (CSSIW) evaluation of Denbighshire Social Services performance for 2011 – 12. A copy of the full evaluation had been attached to the report (Appendix 1) together with an overview of the Council's response to the identified areas of progress and areas for improvement (Appendix 2).

The CD:MW introduced and welcomed to the meeting Angela Mortimer and Sue Millington, Area Managers for CSSIW together with the Council's Service Manager: Quality and Systems Development (SM:QSD) Craig McLeod. She provided some background information to the report and the context of the annual evaluation as part of the Council's overall performance management system. It was a positive evaluation for Denbighshire identifying significant progress in many areas with areas for improvement identified which mirrored those within the Director's self-assessment. Members' attention was particularly drawn to the following areas –

- ambitious programmes of service change with clear leadership and performance management arrangements had been highlighted
- areas identified for improvement had been embedded within Services Business Plans which were monitored on a quarterly basis
- a risk had been identified regarding strategic planning with Betsi Cadwaladar University Health Board (BCUHB) [which had also been identified across all North Wales authorities]. A comprehensive response to BCUHB's consultation on plans to reorganise healthcare provision had been submitted and the need for a Strategic Group had been highlighted.

The Area Manager (AM) commented on the positive report which looked back over the previous twelve months advising that things had moved on and actions were being undertaken to progress the areas identified for improvement. She also commented on the quality of engagement with the authority and senior officers who had been helpful in producing information in order to guide the evaluation process.

Members were pleased to note the positive aspects of the report and significant progress being made but focused their questions on those areas identified for improvement and where progress had been more limited and sought assurances regarding the robustness of actions to address them. Discussion focused on the following areas –

- **CSSIW had identified the continuing ability to influence locality focused strategic planning with BCUHB as a potential risk** – the AM explained that an interface with health was crucial to service planning and provision for Adult and Children's work and that the restructure of BCUHB had disrupted many relationships which had affected the pace of progressing plans to fruition. Members expressed serious concerns regarding the identified risk, particularly in view of the reorganisation of healthcare provision and subsequent impact on Council services and budgets, and sought assurances as to how the risk would be effectively managed. The CD:MW referred to initiatives, such as the localities project, which had been slower to progress because of the difficulty of engaging staff locally following BCUHB's restructure and operation on a regional basis together with other conflicting priorities. She was hopeful that Strategic Groups would be established on a county basis to enable local issues to be resolved and progressed. She added that relationships at operational level continued to be good with BCUHB in other areas and they had been actively involved with BCUHB in resolving particular issues. A strategic forum of six Social Services Directors and BCUHB Directors also met on a quarterly basis with a view to resolving issues. [Councillor Stuart Davies wished it to be recorded that assurances had been sought from BCUHB that

existing facilities would not be closed as part of the reorganisation until new ones opened. Whilst the Chief Executive had been given that assurance some members had been advised separately that no assurance could be provided.]

- **Improving sickness absence** – progress had been more limited in improving sickness absence and members queried whether staffing resources and workload had been addressed; the reasons for absence, and what mechanisms had been introduced to improve performance. Officers confirmed that agency staff were no longer used and sufficient staff had been recruited. Whilst sickness levels had improved progress was still limited and officers elaborated upon more robust mechanisms which had been introduced to manage absence and facilitate staff returning to work after sickness. Stress had been identified as the primary reason for absence which was replicated across all council services but Denbighshire's rates compared favourably with other local authorities. Discussions were ongoing around the cause of stress and whether sickness was work related and an analysis of better performing services would be undertaken with a view to sharing best practice. Councillor Bobby Feeley advised that a Working Group would be established with a view to tackling the specific issue in social services
- **Review of Services provided to Adults** – the importance of care plans were highlighted and the SM:QSD responded that 94% of care plans had been reviewed on time and more robust systems had been introduced in order to track performance of reviews
- **Respite Care Systems** – Councillor Raymond Bartley highlighted the bureaucracy involved in the process for providing respite care in care homes which he felt should be reviewed in order to assist carers and ensure that families were interviewed as part of that process. The CD:MW referred to the Carers Strategy and contact with families and the balance between supporting carers and maintaining people's independence. She also highlighted the need to prioritise and make best use of limited resources in supporting carers. The AM added that carers receiving services had been generally positive.
- **Safeguarding Children** - Councillor Martyn Holland sought assurances regarding the mechanisms in place for identifying children at risk. The CD:MW advised that there were very resilient systems in place and good joint working relationships with other agencies. She reported on the work of a Joint Multi Agency Panel (JRAP) to screen referrals which provided a co-ordinated multi agency approach. In response to a question from the Chair regarding early intervention in vulnerable families, the CD:MW reported upon a multi agency approach to identify key precipitating factors in order to detect the most vulnerable families. That intelligence would be used for intervention through the Families First Programmes and Intensive Family Support. The process had been extensively documented and the results could be made available to members on request. It was hoped that early intervention would result in fewer care proceedings.

- **Out of County Placements** – the CD:MW responded to a question from Councillor Raymond Bartley advising that approximately fifteen children were currently placed outside the county and the number had gradually been reducing. The AM referred to a recent CSSIW review on children in care which would be available in February 2013 which identified good practice and may be of interest to the authority.

The Chair thanked the CSSIW Area Managers for their attendance at the meeting and their perspective on the Council's social services performance and evaluation.

RESOLVED that the report on the performance evaluation of Denbighshire Social Services for 2011-12 be received and noted.

6 **TREASURY MANAGEMENT STRATEGY STATEMENT 2013/2014 AND PRUDENTIAL INDICATORS 2013/14 TO 2015/16**

The Head of Finance and Assets (H:FA) submitted a report (previously circulated) seeking members' review of the Treasury Management Strategy Statement (TMSS) for 2013/14 and the Prudential Indicators for 2014/14, 2014/15 and 2015/16 prior to approval by Council. The TMSS had been attached to the report together with the individual Prudential Indicators recommended for approval.

The H:FA reported upon the key elements of the TMSS detailing how the Council would manage its investments and borrowing for the coming year and policies within which the TM function operated. In guiding members through the report, the H:FA explained each of the issues in detail to aid the committee's understanding of the complexities involved within treasury management activities and provide a working knowledge of those particular functions. The TMSS included the following sections –

- Background and Treasury Position
- Investment Strategy
- Borrowing Strategy
- Debt Rescheduling
- Minimum Revenue Provision (MRP) Statement
- Reporting Treasury Management Activity
- Annex A – E covered: Prudential Indicators; Specified and Non-Specified Investments; Recommended Sovereign and Counterparty List; Interest Rate Outlook and Impact of the Corporate Plan.

During his presentation of the report, the H:FA also updated members on recent developments and clarified issues in response to members' questions thereon. Key points of discussion included –

Housing Revenue Account (HRA) – The H:FA advised that the HRA had a negative subsidy paying approximately 25% of income to the Welsh Government for debt. He explained forthcoming changes to the current system, already introduced in England, which would redistribute that debt directly to local authorities. The debt was likely to be transferred in 2014/15 and would then appear in the TMSS and show a significant increase in the Council's debt figure. However

the Council would gain financially as the amount of the debt transferred would be reduced. Members were disappointed to note that the Welsh Government had excluded Councils from negotiations with the Treasury regarding the debt and had refused to provide any information in that regard. The H:FA advised that the Welsh Local Government Association had highlighted those concerns directly to the Welsh Government. Members discussed the likely outcome of the negotiations with the H:FA together with the possibility that those local authorities struggling to meet the Welsh Housing Quality Standard for their Council Housing Stock may benefit from the process at the expense of those close to meeting the Standard. The possibility of additional borrowing being available for housing refurbishment at the same favourable interest rate was also mentioned. Despite the uncertainties surrounding the new system members were pleased to note that the Council would benefit financially from the transfer of debt but hoped that the all local authorities would benefit equally as a result of the change.

Ratio of Financing Costs to Net Revenue Stream – The ratio of revenue budget used to pay debt for the next financial year was approximately 6.77%. Members were advised of minor movements in finances and of grants transferred into the general settlement resulting in a higher revenue figure. In response to questions, the H:FA advised that approximately 56% of the 2013/14 revenue budget would be ring fenced and protected for schools and social care budgets with more directives from the Welsh Government (WG) about how to spend funding leaving the Council with little control over the main elements. Little support had been forthcoming from other local authorities to argue against the WG directives.

Reserves – In response to a question from Councillor Stuart Davies, the H:FA advised that approximately £7m was currently held in general balances which had increased in recent years. The cost of responding to the flooding incident was currently being calculated and an application would be made to the Welsh Government in that regard. Balances were currently being used to cover associated flooding costs and individual services would not bear any of the cost. The amount in balances and reserves would be reviewed and would likely be replenished via departmental underspends if necessary.

Impact of Corporate Plan – Members were advised that the impact on the Corporate Plan had been detailed in Annex E to the report. Additional information would be included in this section prior to submission of the report to County Council in February detailing the impact on borrowing and financing the Corporate Plan. Members' attention was also drawn to changes to the 21st Century Schools Grant and the impact on the Council's delivery of the programme. It was now expected that the Welsh Government would provide revenue support for approximately £10m resulting in a further rise in the Council's debt figure and a perception that the Council's debt had increased. Councillor Martyn Holland stressed the importance of making the financial situation clear to the public in order to avoid any misconceptions as a result of the transfer of responsibility. Members queried whether the provision of revenue support from the WG was guaranteed and the H:FA explained that a notional guarantee had been provided but that the funding was a complex issue and the risk would be transferred to the Council.

Members thanked the H:FA for his comprehensive presentation which provided a greater insight into treasury management activities and had been well received. Consequently it was –

RESOLVED that, subject to the inclusion of additional information regarding the impact of borrowing and financing the Corporate Plan, the Treasury Management Strategy Statement for 2013/14 and the Prudential Indicators for 2013/14 to 2015/16 be approved for submission to County Council.

At this juncture (11.20 a.m.) the committee adjourned for a refreshment break.

7 INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit Services (H:IAS) submitted a report (previously circulated) updating members on the latest progress of the Internal Audit Service in terms of service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. Members' attention was drawn to the recent internal audit reports issued in respect of the following –

Rhyl High School – The H:IAS referred to the award of a medium assurance rating which was a significant improvement on the previous audit which had resulted in school representatives being brought before this committee. Feedback from the Headteacher and Governors had been positive and the H:IAS was confident that the school would address the issues that prevented it from receiving a high assurance rating. Members were pleased to note the positive audit report and following a proposal by Councillor David Simmons it was agreed that a letter from this committee be sent to Rhyl High School congratulating them on their achievement.

Members considered school funds generally to be a particular risk area which could be exploited and queried the mechanisms in place to safeguard against that risk. The H:IAS advised that schools had responsibility for managing those finances and could request an audit by the Council which would be charged for. Particular elements such as record keeping formed part of a general school's audit. Councillor Martyn Holland asked whether a system could be established for schools in order to help manage funds and share best practice. It was suggested that the School Finance Managers would have a role to play in that regard. The committee agreed with the suggestion of the Head of Finance and Assets that an item be placed on the agenda for the School Finance Managers Network to consider as a means of progressing that issue. In response to a question from Lay Member Paul Whitham the H:IAS confirmed that guidance was available for those managing school funds and work was being undertaken to produce a simple checklist.

High inherent risk from Corporate Risk Register (DCC006) – Members were advised that this audit did not require a full audit report but had been carried out to ensure effective management and a brief summary had been issued.

Public Realm – A general audit had been carried out and work was ongoing to address particular issues identified. Councillor Martyn Holland referred to the problems regarding the roll out of the recycling and refuse collection service in the

south of the county and queried the cost of the recycling programme and whether lessons had been learnt. He also questioned whether value for money had been achieved for the recycling programme across the whole county and the existing process for monitoring performance. The Head of Legal and Democratic Services advised that County Council had discussed the matter at their meeting on 4 December which had been referred to the Communities Scrutiny Committee for consideration. The Chief Executive had also advised that an investigation would be undertaken and a further report could be submitted to County Council for consideration if requested by members. The H:IAS added that a review of refuse collection had been included in the audit plan for 2013/14. Members also briefly referred to issues regarding Trade Waste and the H:IAS advised that an audit report on Trade Waste would be considered at the committee's next meeting.

Data Protection & Freedom of Information – Due to the low assurance rating an escalation meeting had been held with the Chief Executive and Lead Member to discuss the action plan. As this item was a corporate issue actions spanned a number of departments which would be addressed over the coming months. Work was currently ongoing to develop a new Data Protection Policy. In response to questions members were advised that the audit covered both electronic and paper records and schools had also been included within the scope of the audit.

The H:IAS also drew members' attention to the follow up of three Internal Audit reports where actions had not been completed within the timescale agreed and provided an update on the current position. The three areas were (1) Strategic Human Resources, (2) Home to School Transport, and (3) St. Brigid's School. The audits would be reported to the committee's next meeting and members were asked to consider whether they wished to invite representatives from those areas to attend. In the meantime Internal Audit would continue to follow up the outstanding actions to try and ensure they were progressed as soon as possible. Members agreed to consider the findings of the reports in the first instance before deciding whether to invite any representatives to attend.

Finally members considered progress against delivery of Internal Audit's Operational Plan 2012/13 (Appendix 1 to the report) and raised the following issues

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- Councillor Martyn Holland referred to the audit of IT Operations Management and queried whether the issue over the storage of backup tapes had been resolved. Officers advised that there would be negotiation of space in another office location for the tapes and progress with implementing that recommendation would be checked during follow up of the report
- in response to a question from Lay Member Paul Whitham, the H:IAS advised that the report submitted to the Performance Scrutiny Committee in September 2012 on School Balances would be available to access via the Council's website
- Mr. Gwilym Bury, Wales Audit Office Representative queried whether the ten days planned for the Flood Risk Management audit was sufficient given the recent flooding incidents. The H:IAS explained the intention to focus the audit on the management of risk for which ten days would be sufficient. Given the other ongoing investigations in relation to the recent flooding the audit would

need to be scoped to avoid any duplication. Mr. Bury suggested that the quality of the plans in place should be examined.

RESOLVED that –

- (a) *subject to members' comments above, the progress report on the Internal Audit Service be received and noted;*
- (b) *a letter be sent on behalf of the committee to Rhyl High School congratulating them on their positive audit report and the significant improvements made, and*
- (c) *an item be placed on the agenda for the School Finance Managers Network to consider whether a system could be established for schools to help manage funds and share best practice.*

8 CORPORATE GOVERNANCE FRAMEWORK ACTION PLAN

The Head of Internal Audit Services (H:IAS) submitted a report (previously circulated) updating members on the latest action plan and progress to date resulting from the review of the Council's governance framework and the Annual Governance Statement 2011/12. The framework included an annual assessment of the Council's governance arrangements and an Annual Governance Statement highlighting governance weaknesses requiring improvement. A Governance Group had been established to manage the process and an action plan had been developed (attached to the report) arising from the latest review of governance arrangements.

Mr. Anthony Veale, Wales Audit Office Representative highlighted continuous monitoring of the action plan to be good practice in order to provide assurances on the effectiveness of the process as part of the Council's overall governance arrangements. The committee noted the flexibility in the plan and that issues would be added as they arose during the year and agreed they needed to be proactive in scrutinising those actions. Members agreed to consider the action plan at their next two meetings (in February and April) before deciding on how frequently they wished to monitor the action plan in future.

The action plan included reference to members' performance and development and Councillor Martyn Holland highlighted the importance of member training in order to equip councillors with the necessary skills and knowledge to perform their duties effectively. He felt a greater commitment was needed from councillors in order to develop their capabilities. Councillor Raymond Bartley referred to poor attendance at member training events and queried the reasons therefore and actions being undertaken to increase take up rates. The Head of Legal and Democratic Services (H:LDS) advised that a detailed questionnaire had been sent to members in order to inform the next training plan for councillors and it was hoped that attendance would improve as a result. Officers were also looking at other means of training provision including the creation of a Learning Hub to enable electronic training and viewing of previously recorded training. Reference was also made to the member training needs review required by the Local Government Measure which would be

progressed by the Lead Member Councillor Barbara Smith. The Chair suggested that a home learning package could be created involving prerecorded training on DVD plus materials and assessments for members to complete. In terms of specific training for this committee the H:IAS referred to the previous committee's practice of self-assessment to identify gaps in knowledge or skills which may be carried out in the future. Lay Member Paul Whitham queried the extent of training for lay members and the H:LDS advised that general training such as on the Code of Conduct would be appropriate for all together with specific training on areas required by the lay/co-opted members in order to carry out their various roles.

RESOLVED that –

- (a) *subject to members' comments above, the progress in managing the actions in the Corporate Governance Framework Action Plan be noted, and*
- (b) *the Corporate Governance Action Plan be submitted to the next two meetings in February and April for further consideration and monitoring before a decision was made on the frequency of future reporting on the Action Plan.*

9 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

A report by the Head of Legal and Democratic Services (H:L&DS) was submitted (previously circulated) outlining the committee's forward work programme. The Head of Internal Audit Services advised of amendments to the work programme to include the following reports –

- Internal Audit Strategy 2013/14 - April
- Annual Report 2012/13 - May
- Corporate Governance Framework Action Plan – February and April.

RESOLVED that, *subject to the above amendments, the forward work programme be approved.*

The meeting concluded at 12.30 p.m.