

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 6 November 2013 at 9.30 am.

PRESENT

Councillors Brian Blakeley, Stuart Davies, Peter Duffy, Martyn Holland, Gwyneth Kensler (Vice-Chair) and Jason McLellan (Chair).

Councillors Meirick Lloyd Davies and Julian Thompson-Hill attended as observers.

ALSO PRESENT

Corporate Director: Economic and Community Ambition (RM), Head of Legal and Democratic Services (GW), Head of Finance and Assets (PM), Audit Manager (BS), Senior Auditor (LL), Acting Strategic Procurement Manager (SA), Property Manager (DL), Wales Audit Office Representatives (AV and GB) and Committee Administrator (CIW).

1 APOLOGIES

Apologies for absence were received from Councillors

2 DECLARATIONS OF INTEREST

The following interests were identified in business items to be considered at the meeting.

Agenda Item 5: Budget update – personal interests were declared by Councillors G.M. Kensler and M.L.I. Davies. The reason for the declarations were that the respective Councillors were recipients of Local Government Pensions.

Agenda Item 6: Protocol for Member Representatives on Outside Bodies – a personal interest was declared by Councillor M.L.I. Davies. The reason for the declaration was that the respective Councillor was a member of the North Wales Fire and Rescue Authority.

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:-

- (i) 4th September, 2013 were submitted.

Matters arising:-

6. Budget Update – Members were informed that Quay Street Car Park, Rhyl would be re-opened and details of the income and expenditure figures for the car park would be circulated by the Head of Finance and Assets.

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

(ii) 27th September, 2013 were submitted.

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

5 BUDGET UPDATE

A report by the Head of Finance and Assets, previously circulated, provided an update of the latest position on the process of setting the Council's budget for 2014/15, and sought consideration of the next batch of savings to be presented to County Council.

The Corporate Governance Committee had an oversight role of the budget process, and Appendix 1 included details of the savings proposals.

The draft Local Government Settlement for Wales 2014/15 had been published on the 16th October, 2013. The headline figures had been:-

- Average cash reduction across Wales of -3.5%
- Denbighshire had the worst settlement in Wales at -4.6%
- A damping mechanism had been applied to lessen the impact in 2014/15 but this would have an impact in 2015/16

Reference was made to uncertainties around some of the detail within the Settlement, specifically relating to the Council Tax Reduction Scheme funding and the treatment of additional Pupil Deprivation grant funding in relation to the requirement to protect school budgets. It was hoped that details would be clarified following a meeting of the Society of Welsh Treasurers on the 25th October. In addition details were awaited of an actuarial review of the Clwyd Pension Scheme and it was anticipated that a review would increase employer's costs. The draft Settlement and other pressures had meant that a savings target of approximately £8.5m had been set, though this may change as details become clearer.

The budget process had resulted in savings of £1.7m for 2014/15 being approved by Council in September, and on the 21st October, a Member Workshop presented additional proposals amounting to £4.5m. Lead Members had provided details of the savings, the impact and an assessment of risk and these would be presented to Council in December for approval. Further savings to balance the 2014/15 budget could be considered separately at the next Member Workshop in December, and be presented to Council for approval in January or February 2014.

It would be important to ensure that Members were afforded the opportunity to raise questions or concerns about any of the savings proposed for approval in Appendix 1. The Lead Member and Head of Finance and Assets had agreed to discuss any of the proposals in detail prior to their presentation to Council. The budget underpinned the delivery of all priorities and Council services, and the Appendix identified savings of £4.5m for 2014/15. Savings of £1.7m had previously been agreed and the saving target for 2014/15 could be £8.5m.

A copy of the current update was presented to the Committee at the meeting by the HFA and the following issues and salient points were highlighted. In reply to a question from the Chair, the HFA explained that despite the statement in the Finance Section of the Welsh Government Website LA's were having less discretion over how they spent their money, particular reference being made to the disparities related to ring fencing, the protection of schools and the directive from WG to increase funding to schools by 0.9%. Other areas which influence the budget were summarised by the HFA, which included:-

- the impact of the Council Tax Reduction Scheme.
- the number of the County's population in receipt of benefits, the type of claimants and level of support provided.
- uncertainty surrounding the Council Tax Scheme.
- the withdrawal of ring fencing for Social Services for the coming financial year.
- a Local Government proposal to Welsh Government for a review of grants received to achieve greater flexibility.
- the impact of the Pupil Deprivation Grant.
- a proposed increase of 2% in the Fire and Rescue Authority budget.
- the consequences of an increase in the life expectancy of Clwyd Pension Fund claimants.
- details of the Bedroom Tax, Welfare Reform not having had as significant impact as anticipated.
- HRA, housing subsidy date of implementation had changed from April, 2014 to April, 2015.
- details of the North Wales Police precept were not yet available.
- confirmation provided that there would be no impact on the budget following the decision to postpone the closure of St Brigid's.

The HFA provided details of the proposed timescales regarding the budget process and highlighted the difficulties encountered in striking a balancing between the provision of information and the timing of meetings. He explained that the report being considered at this meeting would be presented to Council on the 3rd December, 2013 for approval, and the Workshop scheduled for the 9th December, 2013 would focus on addressing the £2m disparity. The Chair felt that to ensure debate was not stifled papers for consideration should be circulated prior to the date of the Workshop. In response to a request from Councillor M.LI. Davies, it was agreed that the papers from the recent Workshop be circulated to all Members who were not in attendance. The importance of ensuring Member attendance at the forthcoming Workshop, and subsequent feedback, was emphasised.

The HFA agreed to provide a response to a question from Councillor P.C. Duffy on whether the Council were spending less on repairs to their housing as a result of the recent investment.

Following further discussion, it was:-

RESOLVED – *that the Corporate Governance Committee:-*

- (a) receives the report and notes the latest position and proposed next steps, and*
 - (b) endorses the next phase of saving proposals being taken to County Council for formal approval in December, 2013.*
- (PM to Action)**

6 PROTOCOL FOR MEMBER REPRESENTATIVES ON OUTSIDE BODIES

A copy of a report by the Head of Legal and Democratic Services (HLDS) had been circulated with the papers for the meeting.

The HLDS explained that elected Members could be involved in a wide range of outside bodies (OB's) which included community organisations, charitable trusts, sports and recreation clubs, housing associations and companies. A Member could be appointed to sit on these organisations by the Council or in other cases, could be appointed independently of any Council involvement.

Members appointed to sit on OB's by the Council were treated differently under the Code of Conduct to those appointed independently of any Council involvement insofar as declarations of interest were concerned, particular reference being made to the definition of prejudicial interests and exemptions. Any Member appointed to an OB by the Council may have the benefit of an indemnity in certain circumstances by the Council which would not apply if appointed independently of any Council involvement. Members' attendance at a meeting of an OB, if appointed by the Council, could be recognised as an attendance by the Member for the purposes of the Local Government Act 1972, in determining whether a Member was disqualified for non-attendance. Mr P. Whitham felt that the appointment of a Member by the LA, or independently, to an OB may not be perceived by the public as consequential.

A Members role in relation to an OB would vary depending on the body. Some Members would become directors of companies, trustees of charitable trusts, members of management committees in a decision making capacity or may merely be non decision observers or representatives. Each of the different roles carried different legal obligations and may attract different levels of indemnity cover.

Members had an important role in representing the Council on OB's and the Council could acquire the following benefits from Members involvement:-

- To provide knowledge, skills and expertise, which may not otherwise be available.

- To provide local accountability or democratic legitimacy to the appointment of an elected representative.
- To ensure that good relationships can be maintained with the body.
- To deliver a partnership project that requires the input of other organisations or community groups.
- To protect the Council's investment or asset, i.e. if the Council provided grant funding or provides funding for service delivery.
- To lever in external funding which would not be available to the Council on its own.

To ensure Council representation on OB's remained relevant and provided the benefits outlined, appointees should provide information and reports periodically to the Council on the activities of the organisation. It would also be important to ensure the Council were aware of the use being made of funding they had provided.

A number of ways of reporting back had been outlined. Some Members reported back through regular briefing notes and Members' newsletters, others reported back through more formal means either by reports to Cabinet, Scrutiny, Council or Informal Council. The report suggested that a one size fits all approach would not be appropriate, as some OB's had a more significant impact on the Council than others. In reply to questions from Councillor M.LI. Davies, the HLDS explained that where more than one Member had been appointed to an OB, agreement could be reached where one Member reports back to the Council, and copies of minutes of meetings of OB's could be forwarded by e-mail.

A list of Members appointed to OB's had been included in Appendix 1. Some OB's had a greater impact on the Council's priorities and communities than others, with some being in receipt of substantial financial support from the Council and others having less or none. It was explained that when considering reporting requirements Members may consider the most appropriate frequency and forum for reports.

The practice of other LA's varied. Many LA's had no formal mechanism for Members to report on their activities, while others required Members to complete template proforma reports which were circulated for information to fellow Councillors or placed in a single location to which Councillors had access. In some cases LA's categorised OB's to which Members were appointed and had various reporting requirements depending on the category in which an OB had been placed.

Examples of categories utilised elsewhere included:-

- Bodies which set a precept that the Council collects
- Bodies to which the Council pays a subscription to be a member
- Bodies which receive a grant or other financial assistance from the Council
- All other outside bodies

Representatives on OB's may be required to complete annual proforma reports which could be the subject of a corporate report to Cabinet when it considers appointments to OB's. If the Council had more than one representative on a body a single agreed report could be made. An LA may wish request additional, more detailed reports for some bodies or categories of bodies and identify a forum for such reports to meetings of the Council.

In response to a question from Councillor M.L. Holland, the HLDS confirmed that there was a requirement for LA's to have arrangements for Members to submit Annual Reports on their activities, but it was not mandatory for such reports to be completed. A proforma report had been provided for those reports and the annual report on OB's proforma could be circulated with the Councillors' Annual Reports to allow for completion simultaneously. Mr P. Whitham confirmed that he would forward suggestions for consideration for inclusion in the proforma.

The HLDS explained that representatives on OB's were not necessarily appointed to act solely in the interests of the Council. Trustees and Directors would owe duties in law to the body to which they were appointed. Members appointed to such bodies could be bound by obligations of confidentiality to the respective OB, which could result in some aspects of the body's business not being included in a report.

In response to a question from the Chair, the HLDS provided details of the Draft Local Government Measure, which stipulated that LA's had a duty to incorporate into their executive arrangements a process for the scrutiny of designated bodies, and he outlined the consultation process being undertaken to identify designated bodies.

Mr P. Whitham made reference to the categorisation of reporting and the governance risk perspective which could include issues pertaining to financial and reputational aspects of the Authority. He also referred to the relevance of the partnership toolkit and partnership governance generally

The Committee had been requested to consider the issues set out in the report and indicate their preferences in order that a fuller consultation be undertaken with all elected Members. During the ensuing discussion it was agreed that the HLDS be requested to categorise the respective Outside Bodies and submit a further report to the January, 2014 meeting of the Corporate Governance Committee.

RESOLVED – *that the Corporate Governance Committee:-*

- (a) receives and notes the contents of the Members' reports on their activities with outside bodies, and*
- (b) requests that the Head of Legal and Democratic Services provides a further report, categorising the respective Outside Bodies, to the January, 2014 meeting of the Committee.*

(GW to Action)

A report by the Head of Internal Audit, which provided an updated action plan resulting from the review of the Council's governance framework and the Annual Governance Statement (AGS) 2012/13, had been circulated previously.

The Audit Manager (AM) introduced the report and confirmed that the Corporate Governance Committee monitored the Corporate Governance Framework (CGF) Action Plan on a regular basis as part of the Council's overall governance arrangements to make sure that the Council implemented the necessary improvements effectively. The CGF included an annual assessment of the Council's governance arrangements and an Annual Governance Statement which underlined any significant governance weaknesses. It also highlighted further areas that, while not having significant weaknesses, still required improvement.

The Governance Group managed the CGF process and development of the Annual Governance Statement on an on-going basis during the financial year. The Group consisted of:-

- Chair of the Corporate Governance Committee
- Vice-Chair of the Corporate Governance Committee
- Head of Legal and Democratic Services
- Head of Business Planning and Performance
- Head of Finance and Assets
- Head of Internal Audit

The Governance Group had developed the Action Plan in Appendix 1, which had been updated since the previous report to indicate progress to date.

In response to disappointment expressed by Mr P. Whitham regarding the number of references to timescales in Appendix 1 having been identified as non-applicable, the AM highlighted the importance of focusing on the RAG status as in some instances further action may not be required.

Following a brief discussion on the report, it was:-

RESOLVED – *that the Corporate Governance Committee receives and notes the draft Corporate Governance Framework Action Plan.*
(IB and BS to Action)

8 INTERNAL AUDIT PROGRESS REPORT

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

The AM 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 report provided an update in respect of:-

- delivery of the Assurance Plan for 2013/14
- recent Internal Audit reports issued
- management's response to issues raised
- Internal Audit's performance

The AM explained that Appendix 1 provided a breakdown of work undertaken by Internal Audit during 2013/14, compared to the Internal Audit Strategy. It included 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.

The following reports issued since September, 2013 had been circulated:-

- Settlement Agreements
- Deputy for Finance (Court of Protection)
- Ysgol Brynhyfryd, Ruthin

Executive Summary Reports and Action Plans had been appended to the report for further information.

Management's response to issues raised by Internal Audit had been summarised and most Internal Audit reports identified risks and control weaknesses. These had been rated as critical, major or moderate risk and management agreed actions to address the risks, including responsibilities and timescales. All instances were reported where management had failed to respond to follow up work, or where they exceed the agreed implementation date by more than three months. The Committee would decide if further action was required.

Information pertaining to reports which had been followed up had been included in the report. The AM confirmed that a further breakdown of all issues followed up had been detailed in the report, as requested at a previous meeting. No responses had been received to three Action Plan follow ups requested on the 1st October, 2013. Reminders had been issued on the 23rd October, but responses had not been received in time for the progress report. However, the AM advised that confirmation of progress to date had been received in all cases following the report deadline. Details pertaining to Internal Audit Performance had been included in the report with added detail provided in respect of the percentage of essential assurance work, as previously requested.

The AM provided a summary of each of the reports circulated:-

- (i) Settlement Agreement:-

Members were informed that in undertaking an analysis of salary payments for 2012/13, as part of the financial assurance testing, six payments had been identified as settlement agreements. Work undertaken had involved analysing case files and considering the overall process to ensure that:-

- the Council had a formal policy /code of practice and procedures for dealing with 'settlement agreements';

- such agreements were formally considered and approved, based on a robust business case;
- relevant advice was sought in all cases; and
- all settlements made during 2012/13 were reasonable and valid.

The Corporate Director: Economic and Community Ambition (CD:ECA) referred to the ACAS Code and emphasised that settlement agreements' were a recognised method of dealing with employment issues, in both the private and public sectors, and were not perceived as a replacement for good management practice. It was explained that the agreements had been utilised appropriately and generally applied as a last resort. Members were informed that the Internal Audit Review had been very helpful and had identified a requirement to formalise the arrangements for initiating and approving settlement agreements. Figures quoted in the press would have included contractual payments which employees would be entitled to regardless of a settlement agreement, and it was explained that it would be misleading to refer to a "settlement agreement" as a "gagging order".

Audit Opinion had identified the need for the Council to formalise its arrangements for dealing with 'settlement agreements'. There was currently no formal policy for dealing with cases and no formal procedures to follow to ensure consistency, fairness and openness and to provide an approved business case for each agreement. Three major issues had been raised in the Action Plan which required discussion and agreement prior to the Council entering into further negotiations of any settlement agreements'. A copy of the Action Plan had been included and a summary of the issues, and judgements made prior to agreeing a settlement, was provided by the CD:ECA, who welcomed the recommendations in the report. The AM confirmed that work on producing the report had commenced prior to the publication of an article on settlement agreements in the press.

Confirmation was provided that there was no specific reason for the increase in settlements during 2012/13, other than the complexities of employer and employee relationships. The CD:ECA explained that there were no trends relating to specific Departments, and that the number of settlements relating to staff in schools correlated to the percentage of staff employed in the Education Service. She also referred to the added dimension of the role of School Governing Bodies with regard to the management of schools. Members were informed that a Support Officer had been appointed to provide assistance to School Governing Bodies, together with, the provision of additional training, and Finance and HR officers had been appointed to school clusters to provide advice and assist with the management process. The Chair requested that information be provided regarding work currently being undertaken in respect of training on employment issues.

The CD:ECA emphasised the importance of good management in HR practice, and suggested that a review of training provision for Governing Bodies be undertaken. Councillor M.L. Holland, whilst accepting the difficulties involved, made reference to the possible utilisation of performance appraisals in the Education Service.

Mr P. Whitham referred to the reputational risk to the Council and suggested that consideration be afforded to the publication, in the public domain, of improvements

in the audit report. The HLDS explained that the audit report proposed the adoption of a formal policy and procedure, to be applied across the Council, which could be presented to the Committee when formulated.

During the ensuing discussion, Members agreed that Committee receive a further report, including a copy of the draft policy and procedures, in January, 2014. The Chair also requested that a report on employment issues, the implementation of the HR strategy in school clusters and the provision of training for School Governing Bodies also be presented to the meeting of the Committee in January, 2014.

- (ii) Deputy for Finance (Court of Protection), and
- (iii) Ysgol Brynhyfryd, Ruthin:-

The AM confirmed that both reports had been very positive and the Committee received and noted the contents therein.

Members of the Committee had previously requested that they be afforded the opportunity to discuss any audit reports with an orange or red assurance rating, low or no assurance, issued after the deadline for the Committee reports. The report on Procurement of Construction Services, issued on the 29th October, 2013, was circulated at the meeting.

- (iv) Procurement of Construction Services:-

The HFA introduced the report and explained that the review of the Procurement of Construction Services had been undertaken at the request of the HFA to assess the existing processes for spending on construction work and to identify opportunities for efficiencies. Due to significant changes, which included the increased involvement of external bodies such as Welsh Government, the current Procurement Strategy required updating to integrate with the development of the Economic Development Strategy. He outlined the timescales for the work being undertaken and confirmed that the scope of the review had covered the procurement strategy, roles and responsibilities, policies and procedures, approved lists and tendering and contractor selection. The importance of liaising with the respective Directorates was emphasised to ensure consistency across the Council when coordinating the various contracts.

In response to concerns raised by Councillor P.C. Duffy, the Property Manager explained that there was no mechanism in place to restrict schools from engaging contractors of their choice to undertake work on their respective sites. The HFA confirmed that schools were responsible for managing their own budgets and outlined the difficulties encountered in relation to delegation and schools. The Acting Strategic Procurement Manager and Construction Design and Management Coordinator had attended a school finance managers meeting to outline liability and procurement procedures with regard to schools undertaking the services of contractors. Details of the roles and remit of school finance and business managers, in relation to school clusters, were summarised for Mr P. Whitham.

In response to a question from the Chair, the Senior Auditor confirmed that a follow up report on the Procurement of Construction Services would be undertaken in

February, 2014, and a progress report could be submitted to the March, 2014 meeting of the Committee.

Following further discussion, it was:-

RESOLVED – *that Corporate Governance Committee:-*

- (a) *notes Internal Audit's progress and performance to date in 2013/14.*
- (b) *receives and notes the recent Internal Audit reports issued and follow ups carried out.*
- (c) *requests a progress report on Settlement Agreements, including a copy of the draft policy and procedures, be presented to the Committee in January, 2014, together with, the inclusion of information in respect of employment issues, the implementation of the HR strategy in school clusters and details of the provision of training for Schools and their respective Governing Bodies, and*
- (d) *agrees that a progress report be submitted to the March, 2014 meeting of the Committee in respect of Procurement of Construction Services.*

(PM, IB, BS and LL to Action)

9 CORPORATE EQUALITY MEETING FEEDBACK

The Committee received a verbal report from Councillor M.L. Holland in respect of the Corporate Equality meeting held on the 18th October, 2013.

Councillor M.L. Holland highlighted the following salient points:-

- Equality Impact Assessments had continued to improve.
- Notices had been circulated to Directorates emphasising the importance of ensuring that the correct templates were utilised.
- Legal and Democratic Services would ensure that Equality Impact Assessments were included for reports submitted to Cabinet and Council.
- Equality Training would be a priority for all members of staff, and there would be a requirement that they read the "Respect" booklet.
- Concern was expressed that only 15 Elected Members had attended the Equality training sessions.
- Councillor Holland suggested that, in cases where reports were not accompanied by an Equality Impact Assessment, reasons for their absence should be provided.

The HLDS provided an outline of the Council's legal obligations regarding the provision of Equality Impact Assessments.

RESOLVED – *that the Committee receives and notes the report.*

10 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance Committee's Forward Work Programme (FWP) (previously circulated) was presented for consideration.

The Committee confirmed the Corporate Governance Committee Forward Work Programme subject to the inclusion of the following reports:-

18th December, 2013:-

- A report by the Head of Legal and Democratic Services on Indemnity for Elected Members.

29th January, 2013:-

- An update report by the Head of Finance and Assets on Settlement Agreement.

- An update report by the Head of Legal and Democratic Services on Protocol for Member Representatives on Outside Bodies.

26th March, 2014:-

- An update report by the Head of Internal Audit on Procurement of Construction Services.

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

Meeting ended at 13.25 p.m.