

To: Members of the Corporate  
Governance Committee

Date: 21 January 2014

Direct Dial: 01824712575

e-mail: dcc\_admin@denbighshire.gov.uk

Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 29 JANUARY 2014** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams  
Head of Legal and Democratic Services

## AGENDA

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

#### **1 APOLOGIES**

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

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

#### **3 URGENT MATTERS**

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

- 4 MINUTES** (Pages 5 - 20)

To receive the minutes of the Corporate Governance Committee meeting held on the 18<sup>th</sup> December, 2013.
- 5 TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15 AND UPDATE** (Pages 21 - 48)

To consider a report by the Head of Finance and Assets (copy enclosed) which detailed the Treasury Management Strategy Statement 2014/15 and provided an update.
- 6 SETTLEMENT AGREEMENT UPDATE** (Pages 49 - 54)

To consider a report by the Human Resources Services Manager (copy enclosed) which provided details of the recent review undertaken by Audit of Settlement Agreements.
- 7 INFORMATION MANAGEMENT STRATEGY - FORWARD WORK PROGRAMME** (Pages 55 - 58)

To consider a report by the Corporate Information Manager (copy enclosed) which provided details of the forward work plan for the implementation of the Information Management Strategy.
- 8 REGULATION OF INVESTIGATORY POWERS ACT 2000**

To consider a report by the Deputy Monitoring Officer (copy enclosed) in respect of the Home Office RIPA Codes of Practice requirements for Local Authorities.
- 9 INTERNAL AUDIT PROGRESS REPORT** (Pages 59 - 88)

To consider a report by the Head of Internal Audit (copy enclosed) which provides updates on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
- 10 CORPORATE GOVERNANCE FRAMEWORK ACTION PLAN** (Pages 89 - 96)

To consider a report by the Head of Internal Audit (copy enclosed) which provides an updated Action Plan resulting from the review of the Council's governance framework and the Annual Governance Statement (AGS) 2012/13.

**11 PEOPLE STRATEGY 2011/14 - CLOSURE REPORT** (Pages 97 - 100)

To consider a report by the Director of Modernisation and Wellbeing (copy enclosed) which sets out progress in delivering against the People Strategy, identifies outstanding issues and recommends next steps.

**12 FEEDBACK ON CORPORATE EQUALITY MEETING**

To receive a verbal report from Councillor M.L. Holland on the Corporate Equality meeting.

**13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 101 - 102)

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

**PART 2 - CONFIDENTIAL ITEMS**

It is recommended in accordance with Section 100A(4) of the Local Government Act 1972, that the Press and Public be excluded from the meeting during consideration of the following item(s) of business because it is likely that exempt information (as defined in paragraph 14 of Part 4 of Schedule 12A of the Act) would be disclosed.

**14 FUTURE OF CLWYD LEISURE LIMITED** (Pages 103 - 110)

To receive a confidential report from the Corporate Director: Customers (copy enclosed) on the future of Clwyd Leisure.

**MEMBERSHIP**

**Councillors**

Brian Blakeley  
Stuart Davies  
Peter Duffy

Martyn Holland  
Gwyneth Kensler  
Jason McLellan

**Lay Member**

Paul Whitham

**COPIES TO:**

All Councillors for information  
Press and Libraries  
Town and Community Councils

This page is intentionally left blank

## CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 18 December 2013 at 9.30 am.

### PRESENT

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

Councillors M.Ll. Davies, J. Thompson-Hill and A. Roberts attended as observers.

### ALSO PRESENT

Corporate Director: Modernising and Wellbeing (SE), Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Head of Business, Planning and Performance (AS), Audit Manager (BS), Chief Accountant (RW), Corporate Improvement Manager (CB), Corporate Programme Office Manager (KA), Corporate Improvement Officer (NK), Wales Audit Office Representatives (GB and NR), CSSIW Regional Director (PG) and Committee Administrator (CIW).

#### 1 APOLOGIES

Apologies for absence were received from Councillors Brian Blakeley and Gwyneth Kensler

#### 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 6<sup>th</sup> November, 2013.

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

#### 5 RECENT INTERNAL REGULATORY REPORTS RECEIVED

(i) **Annual Improvement Assessment Letter**

A copy of the Improvement Assessment letter received from the Wales Audit Office (WAO), which provided an opinion on whether the Council had discharged its statutory duties in respect of improvement planning, improvement reporting and had met the requirements of the Local Government (Wales) Measure 2009, had been circulated with the papers for the meeting.

The Welsh Audit Office representative introduced the report. He explained that the opinion expressed in the letter by the WAO concluded that the Council had discharged its improvement reporting duties under the Measure as follow:-

- the Council had published an assessment of its performance during 2012-13 in its Annual Performance Report 2012/13 before the 31<sup>st</sup> October, 2013;
- the report assesses the Council's performance in the preceding financial year (2012-13) and sets out how the Council has sought to discharge its duties under the Measure;
- the Report evaluates the Council's success in achieving its improvement objectives and expresses its view clearly;
- the Report includes a short section for citizens who want to provide feedback or make comments on the Review;
- the Report includes details of performance and comparisons as measured by the national statutory performance indicators; and
- the Report includes a short section on the ways in which the Council has sought to collaborate.

No proposals for improvement had been suggested in the letter. It was explained that progress made by the Council in implementing the proposals set out in previous reports and letters would continue to be monitored and reported.

It was confirmed that more detailed work would be undertaken on the arrangements which supported the Council's performance management and reporting. A summary of all the work undertaken by the WAO, and relevant regulators during 2013-14, would be provided in an Annual Improvement Report to be published in March, 2014.

**RESOLVED** – *that the Corporate Governance Committee receives the Wales Audit Office letter and note its contents.*

**(ii) Local Authority Social Services Inspection Evaluation and Review 2012-13**

A copy of a report by the Principal Manager: Business Support, on the key issues arising from the Care and Social Services Inspectorate Wales (CSSIW) evaluation of Denbighshire Social Services performance for 2012-13, had been circulated with the papers for the meeting.

The Corporate Director: Modernising and Wellbeing (CD:MW) introduced the report which detailed the performance evaluation for Social Services including areas of progress, areas for improvement and of risk. The evaluation highlighted the ambitious programme of modernisation which would shape services and citizen's experiences, and acknowledged the strong and effective leadership at all tiers with strong evidence of continued progress despite the challenges being faced. A number of specific areas for improvement had been identified in the CSSIW report and would be discussed during regular engagement meetings between the Senior Management Team and the CSSIW in the coming year. The areas for follow-up by the CSSIW next year included:-

- Establishing clear measurable outcomes to assist with the evaluation of existing and proposed services.
- Assessment and support to carers.
- Performance in relation to looked after children.
- Deprivation of Liberty Safeguards.
- Staff sickness levels.
- National thematic inspection of looked after children.
- National thematic inspection of commissioning of social care for older people.
- Partnership working with BCUHB.

In reply to questions from Councillor M.L. Holland, the rationale of national thematic inspections, undertaken across Wales by WG, was provided. It was explained that deprivation of liberty safeguards ensured that appropriate arrangements were in place to protect older people's liberties.

Appendix II provided an overview of the areas identified as demonstrating progress and areas identified for improvement in the performance evaluation. It also included information on how the Council responded to the areas identified for improvement.

Areas identified as requiring improvement were in line with the Director's self-assessment and had been embedded within Service Business Plans for 2013-14. Each service had an annual Service Performance Challenge which examined progress against Service Business Plans. Significant progress had been made against the areas of improvement highlighted within the 2011-12 performance evaluation report. However, progress had not been as significant as had been anticipated in the following areas:-

- Levels of sickness absence. Despite stronger management accountability, and more rigorous reporting and monitoring within both services, staff sickness levels do remain high in comparison with the rest of the authority. This therefore remains as a high priority for both services.
- Improved consistency in the provision of support to families following de-registration from the child protection register. However, it should be noted that progress has been made in this area with clear transitional arrangements within services (Integrated Family Support Service; Team Around the Family; Families

First) that ensure an appropriate service response to families as their needs improve and/ or deteriorate.

A presentation was provided by Mr Peter Graham, CSSIW Regional Director, in respect of Denbighshire County Council's Annual Council Reporting Framework 2012/2013 which included:-

- key areas of progress for 2012/13 and areas for future improvement.
- A summary of the ambitious programme of modernisation, continued progress, strong leadership, use of service challenge approach, the Director's report providing a coherent narrative, the modernisation programme and the Wales Audit Office having indicated that the Council has ambitious but deliverable plans with effective medium term planning.
- Adult Services
  - the Council's emphasis on early intervention, prevention and reablement provided that fewer people were being supported in residential care.
  - on-going support provided for service users in their communities, with many benefiting from short term support packages to re-establish their independence.
  - recognition of the need to improve the provision of support to carers.
  - issues relating to ensuring timely engagement, decision making and action at a strategic level with the LHB. The commitment to achieving more effective engagement within BCUHB remained high.
- Children's Services
  - performance against a significant range of national indicators remained high.
  - an effective response provided to incoming referrals. Denbighshire performed well in fulfilling responsibilities regarding child protection and children in need.
  - the need to improve services to young carers and care leavers had been recognised and action had been taken to achieve this.
  - the Council had maintained and improved in a number of key indicators relating to looked after children. A number of key indicators performance had deteriorated, this required further analysis to absorb the reasons underlying the change in performance and the action required to achieve improvement.
- The following potential risks had been identified by CSSIW:-
  - Continuing ability to influence locally focused strategic planning with the BCUHB.
  - Achieving a smooth transition when the current Director retires next year.

Councillor M.L. Holland emphasised the importance of improving the connection with the Health Board and highlighted long term concerns relating to moving care into the community.



Chair emphasised that it would be vital that the Council engage with Health Authority. He endorsed the view expressed by the Regional Director CSSIW that the local connections were good but the strategic levels required improvement. The CD:MW referred to the establishment of the Health and Social Care Board. However, concern was expressed regarding the inconsistency of BCU representation, which they had now agreed to address. The Chair of BCU had undertaken a partnership review to examine their relationship with LA's, and a form of area management would be pursued following the appointment of the new Chief Executive, which would assist the LA in lining up their services. Members were informed that the Partnerships Scrutiny Committee would be receiving a report on a Framework for Integrated Services for Older People

Mr P. Whitham questioned whether a summary of the detailed comments pertaining to risks in Appendix 2 would be identified as mitigations in the Corporate Risk Register. The CD:MW referred to the Individual Service Risk Registers which provided in-depth details and clarification of risks identified.

In response to concerns raised by the Chair regarding sickness levels, the CD:MW referred to the Service Challenge Process and the general acceptance that both services, at senior and middle management levels, had appropriate management systems in place in terms of managing sickness and details of the process were summarised. Confirmation was provided that the implementation of the Attendance Policy would assist in addressing the issue, and this was an objective for the respective Lead Member. The Regional Director CSSIW expressed the view that the emotive and emotional type of front line work being undertaken reflected in the sickness levels being experienced. He emphasised the importance of having a clear Attendance Policy and strategy in place to provide support for staff when off sick. The CD:MW informed the Committee that it had been anticipated the Attendance Policy would be implemented in April, 2014.

The CD:MW informed the Committee that an explanation for the deterioration in the percentage of children who had a health care plan in place, and educational assessments, had been provided by the Head of Children and Family Services in Appendix 2 to the report.

In reply to concerns expressed regarding the area identified for improvement, which related to the deregistration of children who were on the `at risk register`, the CD:MW made reference the 4.6 of the report which identified the progress made with clear transitional arrangements within services, Integrated Family Support Service; Team Around the Family; Families First, which ensured an appropriate service response to families as their needs improved or deteriorated.

During the ensuing discussion the Chair and Members of the Committee wished the CD:MW all the best in her pending retirement, and thanked her for all her assistance and work undertaken with the Committee.

The Chair summarised the salient points and issues raised during the discussion, which included:-

- To note the importance of the Council's engagement with the Health Board, particularly at a strategic level. The Chair informed Members that he would raise the matter at the Chairs and Vice Chairs Group.
- To monitor the progress of the Attendance Policy.
- To monitor and ensure a smooth transition period when the current Corporate Director: Modernising and Wellbeing retires, and to examine the induction process for the new Corporate Director.

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

- (a) receives and notes the contents of the CSSIW evaluation and the associated progress report from social services.*
- (b) notes the importance of the Council's engagement with the Health Board, particularly*
- (c) at a strategic level*
- (d) monitors the progress of the Attendance Policy, and*
- (e) monitors and ensures a smooth transition period when the current Corporate Director: Modernising and Wellbeing retires, and examines the induction process for the new Corporate Director.*

## **6 DRAFT BUDGET UPDATE**

A report by the Head of Finance and Assets, previously circulated, provided the third update with regard to the process of setting the Council's budget for 2014/15.

Councillor J. Thompson-Hill provided a summary of the report. He explained that an analysis of the Draft Local Government Settlement and the consequences for the Council had indicated that savings of approximately £8.5m would be required. The budget process had to date resulted in savings of £1.7m for 2014/15 being approved by County Council in September (Phase 1) and £4.7m (Phase 2) on 3<sup>rd</sup> December.

The savings included in Phase 2 had been presented to a Member Workshop in October with Lead Members, providing details of the saving, the impact and an assessment of risk. Members had been invited to comment on any of the proposals prior to the Council in December. Responses were received in respect of savings proposed in the school music service (£52k) and a review of the work opportunity service for adults with a learning disability (£50k). Further detail in support of the music service saving had been reported to Council, and a Task and Finish Group had been established to oversee the review of work opportunities.

The budget process to date had identified savings of £6.459m, leaving a gap of approximately £2.0m and this had been the focus of the Member Workshop held on the 9<sup>th</sup> December. Details from this session had been included in the Appendix to the report and included:-

Final Local Government Settlement - The Settlement had been published on the 11<sup>th</sup> December and was largely unchanged from the Draft settlement. The most notable change being the Council Tax Reduction Scheme Pensioner Grant to the Revenue Support Grant, which now formed part of the Council's base budget.

Third Budget Workshop - The workshop had been held on the 9<sup>th</sup> December, 31 members. The key theme presented details and options to be considered to bridge the £2m budget gap for 2014/15.

The key information presented included:

- An update of the in-year position of social care and education budgets
- Analysis of school funding
- Options to increase school budgets
- Review of balances and reserves
- Corporate Plan update
- Council Tax options
- Additional Savings Proposals
- Recommendation

The additional saving proposals for 2014/15 related to bringing forward savings previously identified for 2015/16 and total £395k. £95k related to bringing forward restructures in Business Planning and Performance and £300k was the proposed removal of the budgeted contribution to balances one year earlier than originally planned. The recommendation included a proposal to use a general balances as part of the budget in 2014/15.

The final budget proposals would be presented to Council on the 27<sup>th</sup> January, 2014. This would include a range of options and a recommendation for the level of Council Tax increase for 2014/15, and a detailed report on Council Tax levels would be approved by County Council in February. The CA referred to the consultation process and possible ways in which the Committee could improve Member engagement. The Chair felt that circulation of the papers for consideration, prior to the Workshop had assisted and informed the debate.

A recent budget workshop had revealed that the Council Tax level would be the key debate in the final phase of approving the 2014/15 budget. A range of Council Tax options, and their financial implications, would be presented to Council in January. In terms of the budget process the views of the Corporate Governance Committee would be welcomed on ways of encouraging engagement and debate with individual Members or groups prior to the report being presented to Council.

The officers provided the following responses to matters and issues raised by Members:-

- Confirmation was provided that Members had been encouraged to raise any issues about the proposals with the Lead Member or the Head of Finance and Assets at any point prior to formal proposals being taken to Council for approval.
- The general consensus of opinion at the recent Workshop had been that the level of Council Tax increase should be 3%. Councillor Thomson-Hill explained that although this was the target further consideration might be required depending on other balancing elements, such as the risk aspect.

- The issue of the removal of funding for a Trade Union official by the Authority had been raised previously at Service Challenge meetings. It was explained that it had been felt that the potential ramifications of such action outweighed the possible savings. The CA informed Members that negotiations regarding this issue could be undertaken with the Trade Unions at a future date.
- The Committee were informed that Member attendance figures at the Workshop had been influenced by the flooding in the County.
- The CA provided details of the alarming increase in pension costs to the Authority and confirmed that these could increase by 20% over the next three years. Reference was made to the recent changes in legislation which impacted on the figures, together with, changes to overtime regulations.
- In response to a question from Mr P. Whitham regarding risks relating to the consequences of failing to meet the requirements of encouraging engagement and debate with Members, the CA provided details of the consultation and dialogue processes adopted.
- Members were informed that planning for 2015/16 had already commenced and would escalate following approval of the 2014/15 budget. The Committee noted that future budget planning would be extremely challenging and Member involvement in the decision making process would be crucial.

In reply to a question from Councillor M.L. Holland regarding the remit of the Committee in respect of interaction with external bodies, Members agreed that issues pertaining to Clwyd Leisure be included on the Agenda, as a Part II item, for the next Corporate Governance Committee.

Following further discussion, it was:-

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

- (a) *receives the report and notes the latest position and progress made to date, and*
- (b) *agrees that a Part II item on Clwyd Leisure be included in the Committee's Forward Work Programme for the January, 2014.*

## **7 INFORMATION MANAGEMENT STRATEGY**

A report by the Head of Business, Planning and Performance (HBPP) had been circulated previously.

The HBPP introduced the report and highlighted the need to ensure that the Council managed its information effectively, enabling them to realise and exploit its true value as a corporate asset in support of achieving business priorities, delivering efficiencies and reducing risk. An Information Management Strategy, Appendix 1, had been developed to provide the corporate framework for managing the Council's information assets, and had been approved the adoption by SLT. Members were informed of the improved governance of the Council's information that the Strategy would provide.

Public sector organisations were under increasing pressure to deliver business efficiencies, whilst ensuring business continuity and risk management. In addition,

there was more external scrutiny of how public organisations manage their information with a move towards greater openness and transparency around the information held, and greater levels of regulatory requirements which necessitated more rigorous protection of information resources. The Corporate Improvement Manager (CIM) outlined the information security requirements, making particular reference to the Public Service Network and to the transparency agenda.

The absence of a defined corporate framework to manage information had resulted in information management practices being inconsistent across the organisation, and details of the several challenges created as a result had been included in the report.

Since 2008, reports from both the Wales Audit Office and the Council's Internal Audit team had identified weaknesses in the way the Council managed its information. The Council had provided a greater focus to information management matters through the formation of the Corporate Information Team at the end of 2012. The Corporate Information Team had now developed an Information Management Strategy to address the challenges identified and to embed the required improved working practices in the following areas identified in the report:-

- Information Compliance
- Information Access
- Information Assurance
- Information Quality
- Information Retention and Disposal
- Information Training and Awareness Raising

The framework depicted in the Strategy would support the Council in achieving the corporate priorities, by:-

- Ensuring our information can be quickly and easily identified;
- Ensuring our information is protected, according to risk;
- Ensuring our staff and members have the required levels of competencies to manage information appropriately;
- Ensuring our information meets statutory requirements; and
- Ensuring our vital records are identified and protected accordingly.

Funding for the EDRMS project had been approved by CET for a further 3 years, and there were several actions contained within the Information Management Strategy which would direct impact upon all Officers and Members, these included:-

- Mandatory Training
- File-naming
- Email Policy
- Privacy Impact Assessment
- Proactive publication of information
- EDRMS

Members acknowledged the enormity of the task involved, its importance and the need for an understanding of the risks relating to the Information Management Strategy process.

The following responses were provided to issues raised by Mr P. Whitham:-

- With regard to Revision to DCC007: *'The risk that critical or confidential information is lost or disclosed'*. Mr Whitham explained that there had been no reference to the Strategy as a mitigation or reference in the report to it being a Corporate Risk, and suggested that they should be interlinked.

- Mr Whitham question whether the Strategy was being managed as a project and had a project plan been implemented to monitor progress. The HBPP outlined the role of Internal Audit and confirmed that the Authority were keen to monitor progress and ensure the Committee received progress reports. The view expressed by Mr Whitham that an overarching management programme be adopted was supported by the HBPP.

- The Committee agreed that under the heading "Scope" on Page 54 of Appendix 1 "Information Management Strategy applies to all information held by the Council irrespective of format" should include clarification that this includes officers and Members. Mr Whitham referred to "The Council has a duty to schools and as such schools are welcome to adopt this strategy should they wish" and suggested that stronger implementation powers should be introduced. The HBPP explained that the Authority were only in a position to provide advice and assistance to schools.

- In response to a question from Mr Whitham, regarding the provision of an assurance that various policies, protocols and procedures placed on the Councils electronic website could be found and accessed, the CPOM highlighted the importance of easy access and outlined the various mechanisms available. He explained that the maintenance of a register, through e-learning, could provide details of access and monitoring usage. The Chair emphasised the importance of Information Management and the provision of training throughout the Council in relation to the dissemination of information.

In reply to concerns raised by Councillor M.L. Holland regarding risk compatibility of system, Members were assured that the system used by Denbighshire was compatible with those utilised by other neighbouring LA's. Councillor Holland felt the provision of clear guidelines to users of the system would be imperative during the transition period. The HBPP expressed the view that the issue of staff working from home did not present a security risk to the Authority.

During the ensuing discussion, it was:-

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

(a) receives the report and notes the Council's framework for managing its information assets, as detailed in the Information Management Strategy.

- (b) notes that the risks highlighted in respect of the Information Management Strategy and Policy be incorporated in the Corporate Risk Register, and noted as a mitigating factor.*
- (c) proposes that the management approach to the Strategy be project managed.*
- (d) requests the provision of mandatory training for both Elected Members and staff in relation to the Strategy.*
- (e) acknowledges the importance of the work in question.*
- (f) requests that a copy of the Forward Plan be presented to the Committee in January, 2014, and*
- (g) agrees that an invitation to attend specialist training on Data Protection be extended to Members of the Committee.*

## **8 CHANGE TO INTERNAL AUDIT MANAGEMENT ARRANGEMENTS**

A report by the Head of Business, Planning and Performance (HBPP), which provided details of a proposed change of line management for the Head of Internal Audit (HIA) and a relocation of the team from Finance and Assets (FA) to Business Planning and Performance (BPP), had been circulated previously.

The HBPP introduced the report which provided information on a proposed change in service structure affecting Internal Audit (IA). An assurance was provided that this would not compromise the effectiveness of the IA function.

The configuration of services delivered by SLT had developed continuously to maintain the focus on the Council's objectives, and to keep pace with operational demands. The need to realise savings had created unprecedented challenges for the Council, with particular pressures set for the next 2 financial years. The challenge for support services entailed working out how to do things as efficiently as possible. It would be critical that services were proactive, and actively prepared for reductions in resources by aligning and streamlining processes wherever possible, looking for synergies and commonalities which could allow rationalisation and orientating service configuration firmly around the Council's priorities.

The IA function was currently part of FA with the HIA reporting to the HFA. However, there was an increasing overlap with the work of BPP, especially as IA had moved towards 'service improvement' as a significant focus. The focus on improvement was a useful innovation for the Council, but the overlap with the Improvement Team in BPP had developed to the point where the issue of potential duplication had been raised. It would be important in the current financial climate that 'corporate' demands on customer facing services were addressed and kept to a minimum.

Integrating the work of the two functions more closely would eliminate this issue, and would provide additional benefits as detailed in the report. This could be accomplished by the AT becoming part of BPP, with the HIA being line managed by the HBPP. This would maximise the opportunities for programme alignment and for sharing work, particularly research, and help to minimise the 'burden' on front-line services. Benefits would be most obvious in the area of improvement and performance related work, but benefits derived from cohesion are likely across both

teams' programmes. Most of the current arrangements would remain as they are though, including important safeguards on independent action:

- A key element of the Internal Audit programme would remain focused on financial and internal control, directed by the Section 151 officer.
- The independence of the role would continue to be guaranteed as the HIA would still retain a reporting link through to the Section 151 Officer and the Chief Executive.
- The Committee would continue to oversee the function as a whole, including the IA report and the production of the Annual Governance Statement.

It was explained by the HBPP that the move would streamline the Council's improvement work by potentially creating opportunities for efficiencies in the future, reducing the burden on front-line services and enhancing the Council's ability to support transformational change whilst protecting core audit functions.

In response to questions from Mr P. Whitham relating to the provision of a structure chart and reporting process, the HIA referred to the Internal Audit Charter, which would be amended and submitted to the Corporate Governance Committee for approval, along with the Internal Audit Plan. The Committee were informed that it had been anticipated that the changes would be implemented from the 1<sup>st</sup> January, 2014, and details of the relocation plans were provided. Confirmation was provided that compliance with best practice, such as Chartered Institute of Internal Auditors, would be attained.

The report incorporated details of the consultations process carried out and the steps taken to address any possible risks.

**RESOLVED** – that Corporate Governance Committee notes and supports the proposed review of Internal Audit management arrangements.

## 9 CORPORATE RISK REGISTER REPORT

A copy of a report by the Head of Business, Planning and Performance, on the November, 2013 formal revision to the Corporate Risk Register, had been circulated with the papers for the meeting.

The Corporate Improvement Manager (CIM) introduced the report which incorporated the latest version of the Corporate Risk Register, as agreed at Cabinet Briefing. Formerly the report had been submitted only to CET. However, including Members in its development and management had been prudent. It had been considered that the most effective way would be to involve Lead Members at Cabinet Briefing.

A summary of the main issues to note for the Corporate Risk Register had been listed in the report. The CIM made reference to the following issues highlighted:-

Revision to DCC004: 'The risk that the HR framework doesn't support the organisation's aims'. The inherent and residual risk score remained identical. However, a platform for improvement had been laid out and it had been anticipated



that the risk level would reduce in the near future.

Removal of DCC015: *'The risk that the collaborations that Denbighshire participates in don't deliver their forecast benefits and/or have an adverse impact in terms of finance and/or quality of service'*. In response to a question from Mr P. Whitham regarding the implications of new collaborations currently being promoted, the CIM explained that the risk had been removed, as any major collaborations the Council were involved in were now embedded, and their performance and risks would be managed at service level. The HBPP referred to possible future risks and also made reference to the outcome of the Williams Commission. It was explained that the reviews would be undertaken on a six month basis and the next review would coincide with the finalisation of the budget. The HLDS confirmed that new risks could arise pending the outcome of the Williams Commission.

Revision to DCC016: *'The risk that the impact of welfare reforms is more significant than anticipated by the council'*. A mitigating action to strengthen the governance of the Group had been to include the Chair of the Corporate Governance Committee on the Group.

The Chair made reference to Revision to DCC007: *'The risk that critical or confidential information is lost or disclosed'*, and Revision to DCC013: *'The risk of significant financial and reputational liabilities resulting from management of some Arm's Length organisations'*. He explained that risks had arisen recently due to recent events on the coastal strip, pertaining to arm's length companies, which had been beyond the control of the Council. The HBPP explained that circumstances relating to risks could change on a daily basis, and he confirmed that theoretically and formally the Risk Register could be updated at any time.

Details of the consultations undertaken, the Chief Finance Officer Statement and the risks and actions implemented to address them had been included in the report.

**RESOLVED** – *that the Performance Scrutiny Committee notes the deletions, additions and amendments to the Corporate Risk Register.*

## **10 INDEMNITY FOR MEMBERS**

A report by the Head of Legal and Democratic Services (HLDS), about a proposal for all 22 unitary authorities to agree a voluntary cap on the level of indemnity made available to elected members in respect of proceedings relating to alleged breaches of the Code of Conduct which provided, had been circulated previously.

The HLDS introduced the report which sought a recommendation to Council that the indemnities available to Members involved in Code of Conduct hearings be capped at a maximum figure of £20,000. Concerns had been expressed regarding the scale of indemnities provided by LA's to Members in such circumstances by, amongst others, the WLGA, the Public Services Ombudsman for Wales and the Chair of the Adjudication Panel for Wales. A letter from the then Minister for Local Government and Communities regarding the ethical framework, which contained reference to a voluntary cap on indemnities being imposed by LA's had been

considered by the Standards Committee who indicated their support for such a measure.

The Ombudsman had originally proposed a cap of £10,000 but the WLGA Council approved a cap of £20,000 on the basis that the level proposed by the Ombudsman was insufficient cover given the complexities of some cases. The WLGA Council further agreed that LA's should consider, on a case by case basis, whether and to what level to grant an indemnity but that no indemnity should exceed £20,000.

In Denbighshire the Corporate Governance Committee had the power to consider the level of professional representation of a Member under the terms of the form of indemnity to Members and officers approved by Council on 23<sup>rd</sup> September, 2008. The level of indemnity had implications not only in terms of managing the potential for significant legal costs but the impact on senior Council officers' and other public servants' time. There was also the potential, in the absence of a cap, for there to be a legal 'arms race' which could result in increased cost. The Ombudsman had agreed that, in each case, his own legal costs would not be allowed to exceed the level imposed by the proposed cap.

The HLDS summarised the key issues pertaining to the report and explained that if the Committee recommend the proposed cap to Council, the terms of the form of indemnity would be amended by the insertion of the words shown in italics in the document attached as Appendix 1 to this report.

In response to questions from the Chair regarding the role and remit of the Committee, and any determining factors in relation to deciding any future applications for indemnities, the HLDS outlined possible protocols which might be considered. He suggested that factors which might be taken into consideration could include the nature and severity of the allegation being made, and the availability of resources, advice and guidance to the respective Member.

Following further discussion, Members of the Committee:-

**RESOLVED** – *that Corporate Governance Committee recommends to Council that:-*

- (a) the Corporate Governance Committee considers, on a case by case basis, each application for a costs indemnity in order to decide whether an indemnity should be given at all.*
- (b) if, in any individual case, an indemnity is to be given in respect of matters relating to a breach of the Members' Code of Conduct, the Corporate Governance Committee should decide on the amount of that indemnity up to a maximum of £20,000, and*
- (c) the Council's Constitution and form of indemnity be amended as necessary to reflect these decisions.*

## **11 INTERNAL AUDIT PROGRESS REPORT**

A report by the Head of Internal Audit, which provided an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews

completed, performance and effectiveness in driving improvement, had been circulated previously.

The HIA introduced the report which 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
- Internal Audit Progress

A breakdown of work during 2013/14, compared to the Internal Audit Strategy, had been incorporated in Appendix 1. It included assurance scores and number of issues raised for the completed reviews, definitions used to form the audit assurance and the ratings used to assess the risk-levels for issues raised.

A summary of recent Internal Audit Reports was provided, together with, details of the colours utilised for assurance ratings. Reports issued since November 2013 had been circulated, and Executive summary reports and Action Plans had been appended to the report for further information which incorporated:-

- Thinking and Assessment for Learning Grant 2011-12
- Financial Assurance 2013/14 – Rhyl based Services
- Welfare Advice
- Corporate Health and Safety

Most Internal Audit reports identify risks and control weaknesses. These had been rated as critical, major or moderate risk and management had agreed actions to address the risks, including responsibilities and timescales.

All instances where management had failed to respond to follow up work, or where they had exceeded the agreed implementation date by more than three months, had been reported. Any decision on whether to take further action would be taken by the Committee. It was confirmed that the following reports had been followed up and there were no responses outstanding:-

- Countryside Operations
- Fostering Service
- Deputy for Finance (Court of Protection)
- Ysgol Clawdd Offa, Prestatyn
- Pavilion Theatre, Rhyl
- Public Realm

A summary of Internal Audit Performance had been included in the report, and both Essential Assurance and Customer Standards had achieved 100% ratings. The HIA informed Members that Internal Audit were currently in the process of tendering for the North Wales Police audit.

A copy of the Internal Audit follow up report on Ysgol Clawdd Offa, Prestatyn had been incorporated as an Appendix to the papers for the meeting, as requested by

Members on the 4<sup>th</sup> September, 2013. The HIA confirmed that the School had made significant improvements since the report in June 2013. Of the 21 issues raised, 17 had been fully addressed and the other 4 were in progress, with only a small amount of work needed to complete them.

The Action Plan provided details of the progress made and a brief explanation of what the School needs to do to complete those outstanding issues. If the School provided evidence that the actions had been completed by the end of December 2013, further follow up visits would not be required. It was hoped that the School would sustain the progress and improvements made, and the Audit Opinion rating had been adjusted to Medium Assurance, pending the completion of the outstanding actions.

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

- (a) notes Internal Audit's progress and performance to date in 2013/14, and*
- (b) receives and notes the recent Internal Audit reports issued and follow ups carried out, including Ysgol Clawdd Offa. Prestatyn.*

## **12 CORPORATE EQUALITY MEETING FEEDBACK**

Councillor M.L. Holland reported that the Corporate Equality Group had not met since the previous meeting of the Corporate Governance Committee.

## **13 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:-

29<sup>th</sup> January, 2013:-

- Clwyd Leisure (Part II item).
- Information Management Strategy – Forward Work Programme.

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

Meeting ended at 12.55 p.m.

# Agenda Item 5

<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	29 January 2014
<b>Lead Member / Officer:</b>	Cllr Julian Thompson-Hill
<b>Report Author:</b>	Head of Finance and Assets
<b>Title:</b>	<b>1. Treasury Management Strategy Statement (TMSS) 2014/15 and Prudential Indicators 2014/15 to 2016/17 (Appendix 1)</b> <b>2. Treasury Management (TM) Update Report 2013/14 (Appendix 2)</b>

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

- 1.1 The TMSS (Appendix 1) shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the TM function operates. The report also outlines the likely impact of the Corporate Plan on this strategy and on the Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2013/14.
- 1.2 It should be noted that the figures contained in the TMSS are draft and will be updated prior to approval by Council based on the latest Capital Plan in February 2014.

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

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the TMSS and Prudential Indicators annually. The Corporate Governance Committee is required to review this report before it is approved by Council on 25 February 2014. Furthermore, part of the Committee's role is to receive an update on the TM activities twice a year.

## **3 What are the Recommendations?**

- 3.1 That the Committee reviews the TMSS for 2014/15 and the Prudential Indicators for 2014/15, 2015/16 and 2016/17 (Appendix 1).
- 3.2 That members note the TM update report (Appendix 2).

## **4 Report details**

## **Background**

- 4.1 TM involves looking after the Council's cash which is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 4.2 At any one time, the Council has at least £20m in cash so we need to make sure that we achieve the best rate of return possible without putting the cash at risk which is why we invest money with a number of financial institutions.

When investing, the Council's priorities are to:

- keep money safe (security);
- make sure that we get the money back when we need it (liquidity);
- make sure we get a decent rate of return (yield).

## **TMSS 2014/15**

- 4.3 The TMSS for 2014/15 is set out in Appendix 1. This report includes Prudential Indicators which set limits on the Council's TM activity and demonstrate that the Council's borrowing is affordable.

### **Prudential Indicators:**

- 4.4 The Council Fund indicators are based on the latest proposed capital bids and block allocations and these will be updated before the report is submitted to Council for approval on 25 February 2014.
- 4.5 The Housing Revenue Account indicators have been calculated based on the latest estimates from the Housing Stock Business Plan. These will be updated in accordance with the budget approved by Cabinet at its meeting of 18 February 2014.
- 4.6 The individual Prudential Indicators recommended for approval are set out in Annex A.

## **TM Update Report 2013/14**

- 4.7 The TM update report (Appendix 2) provides details of the following:
  - External economic environment
  - Risks
  - Activity
  - Controls
  - Future Activity

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

- 5.1 An efficient TM strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

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

- 6.1 There are no cost implications arising as a result of the setting of Prudential Indicators. The point of the TM Strategy is to obtain the best return within a properly managed risk framework.

## **7 What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

- 7.1 This is not required as a part of this report.

## **8 What consultations have been carried out?**

- 8.1 The Council's Capital Plan and Revenue Budget have been prepared in consultation with Heads of Service, Corporate Directors, Scrutiny Committees, Cabinet and Council.

- 8.2 The Housing Stock Business Plan, revenue and capital budgets will be presented to members. Denbighshire Tenants and Residents Federation will also be consulted on the proposals.

- 8.3 The Council has consulted with its TM consultants, Arlingclose Ltd.

## **9 Chief Finance Officer Statement**

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.

- 9.2 Council adopted the revised CIPFA Code of Practice on TM (Nov 11) at its meeting on 28 February 2012. It is a requirement of that Code for Council to approve a TMSS each financial year.

- 9.3 The Council has approved an ambitious Corporate Plan that could see £134m invested in delivering its priorities over the next five years. It is vital that the Council has a robust and effective TM function underpinning this investment and all other activities.

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

- 10.1 TM is inherently risky as outlined in the Strategy Statement. The Council has a risk management policy but it is impossible to eliminate these risks completely.

## **11 Power to make the Decision**

- 11.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).



**Denbighshire County Council**

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

**Contents**

- 1. Background**
- 2. Treasury Position**
- 3. Investment Strategy**
- 4. Borrowing Strategy**
- 5. Debt Rescheduling**
- 6. MRP Statement 2014/15**
- 7. Reporting Treasury Management Activity**
- 8. Other Items**

**Annexes**

- A. Prudential Indicators**
- B. Interest Rate Outlook**

**Glossary**

# Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

## 1 Background

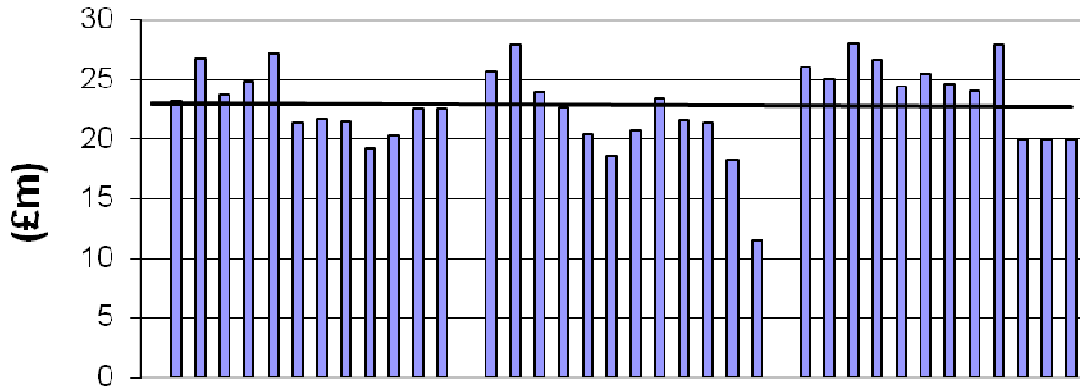
- 1.1 The Council is responsible for its Treasury Management decisions and activity which involves looking after the Council's cash. This is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 1.2 On 28 February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy statement (TMSS) before the start of each financial year.
- 1.3 In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in April 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 1.4 This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
- 1.5 The purpose of the TMSS is to set the:
  - Treasury Management Strategy for 2014/15
  - Annual Investment Strategy for 2014/15
  - Prudential Indicators for 2014/15, 2015/16 and 2016/17 (**Annex A**)
  - Minimum Revenue Provision (MRP) Statement

## 2 Treasury Position

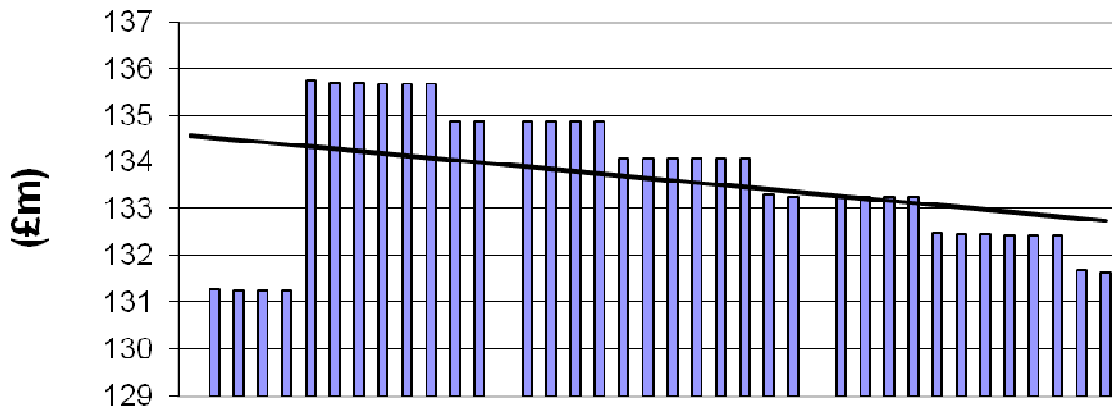
- 2.1 The levels of the Council's investment and borrowing balances over the last three years are shown in the graphs below. The first chart shows that the amount of money we have to invest has remained fairly constant over the last three years. The second shows the Council's borrowing has decreased over the course of the last three years as we have relied on internal borrowing as much as possible instead of undertaking external borrowing from the Public Works Loan Board (PWLb).

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

**Investment Balances (2011/12 - 2013/14)**



**Borrowing Balances (2011/12 - 2013/14)**



**3 Investment Strategy**

- 3.1 Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.2 The Authority may invest its surplus funds with any of the counterparties in table 1 below, subject to the cash and time limits shown.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

**Table 1: Approved Investment Counterparties**

Counterparty	Cash limit	Time limit
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	10 years
	AA+	5 years
	AA	4 years
	AA-	3 years
	A+	2 years
	A	1 year
	A-	
The Authority's current account bank (Natwest Bank Plc) if it fails to meet the above criteria	£4m	next day
UK Central Government (irrespective of credit rating)	unlimited	50 years
UK Local Authorities (irrespective of credit rating)	£8m each	10 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£5m each	10 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings	£5m each	5 years
UK Building Societies without credit ratings	£1m each	1 year
Money market funds and other pooled funds	£3m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£1m each	1 year

- 3.3 This strategy aims to diversify our investments across a larger number of financial institutions which will reduce our current reliance on a limited number of UK banks. This action is being taken because of a lower likelihood that the UK and other governments will support failing banks in the future. As the Banking Reform Act 2014 is implemented, banks will no longer be able to rely on bail-outs and they will be expected to stand on their own feet. This increases the risk to large investors such as local authorities who may be required to provide a proportion of the amount required to cover the bank's losses in the event of default. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.
- 3.4 Consequently, for a group of banks under the same ownership, the banking group limit will now be equal to the individual bank limit. This is a reduction in our previous limit which was set at 1.5 times the individual bank limit.
- 3.5 As a result of an improvement in the housing market and a strengthening of building societies' balance sheets, the 2014/15 strategy will add a number of building societies to our investment list which will help us to spread our investments over a larger number of financial institutions. This will include

## **Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17**

building societies without credit ratings where an external credit assessment by our treasury advisers, Arlingclose Ltd, shows them to be suitably creditworthy.

- 3.6 The Authority's current account is held with Natwest Bank Plc which is currently rated at the minimum A- rating in table 1. Should the credit rating fall below A-, the Authority may continue to deposit surplus cash with Natwest Bank Plc providing that investments can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).
- 3.7 The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.8 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices (the cost of banks insuring themselves against default), financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 3.9 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

cause a reduction in the level of investment income earned, but will protect the principal sum invested.

The reduction in investment income which the Council has suffered over the last five years is illustrated in Table 2 below:

**Table 2: Investment Income**

2008/09 Interest £000	2009/10 Interest £000	2010/11 Interest £000	2011/12 Interest £000	2012/13 Interest £000
2,219	635	239	408	398

3.10 **Specified Investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

3.11 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure by legislation, such as shares in money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition of high credit quality. Limits on non-specified investments are shown in table 3 below.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

**Table 3: Non-Specified Investment Limits**

	<b>Cash limit</b>
Total long-term investments	£10m
Total shares in money market funds	£10m
Total shares in other pooled funds	£10m
Total investments without credit ratings or rated below A-	£10m
Total investments in foreign countries rated below AA+	£10m
Total non-specified investments	£20m

3.12 **Approved Instruments:** The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits where the Authority may demand repayment at any time (with or without notice),
- callable loans where the borrower may demand repayment at any time,
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

#### **4 Borrowing Strategy**

4.1 Borrowing strategies continue to be influenced by the relationship between investment and borrowing rates. The interest rate forecast provided in **Annex B** indicates that an acute difference between investment and borrowing rates is expected to continue. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.

4.2 In view of this, the strategy which has been in place for some time now has been to reduce our investment balances and rely on internal borrowing as much as possible instead of external borrowing from the Public Works Loan Board (PWLB). This has been sustainable because the level of the Council’s balances and reserves has been sufficient to avoid the need for external borrowing.

## **Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17**

- 4.3 However, as the Corporate Plan is now progressing, we intend to review this strategy and begin to undertake new borrowing. Borrowing rates are also expected to rise so the intention is to borrow to take advantage of the lower rates which are available currently. Although this will create a cost of carry in the short term while the proceeds are temporarily held as investments, we will save in the long term because of the anticipated increase in borrowing rates which will result in higher interest costs if we delay.
- 4.4 While the Council can borrow from a number of banks, it normally only borrows from the Public Works Loan Board (PWLB) which is a Government body that lends to public sector organisations.

The approved sources of borrowing are listed below:

- PWLB
- UK local authorities
- any institution approved for investments
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds
- capital market bond investors
- special purpose companies created to enable joint local authority bond issues.

### **5 Debt Rescheduling**

- 5.1 The Council is able to pay off loans earlier than we have to and to replace them with cheaper loans in order to save money or to reduce the risk to the Council. Sometimes, we will replace these loans and sometimes not, depending on market conditions and interest rates.
- 5.2 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt rescheduling although occasional opportunities arise.

### **6 Minimum Revenue Provision (MRP) Statement**

- 6.1 The Council sets aside money each year to repay debt and this is known as the Minimum Revenue Provision (MRP). In 2014/15, this will be £8.2m.
- 6.2 There are four different methods of calculating MRP and the Council needs to say each year which methods it will use. This is known as the MRP Statement.



## **Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17**

- 6.3 The MRP Statement will be submitted to Council before the start of the 2014/15 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

### **6.4 MRP Statement**

The Council will apply the Regulatory Method for supported capital expenditure which means that MRP is charged at 4% of the Council's Capital Financing Requirement.

The Council will apply the Asset Life Method for unsupported capital expenditure which means that MRP is determined by the life of the asset for which the borrowing is undertaken.

The different methods of calculation will affect how much money the Council sets aside for debt repayment. The above statement means that where the Welsh Government gives us the money to repay debt we will repay it at 4% of whatever is outstanding. Where we borrow through Prudential Borrowing we will charge an amount that lets us repay the debt over the expected life of the asset.

- 6.5 Adopting International Financial Reporting Standards (IFRS) has resulted in leases and Private Finance Initiative (PFI) schemes coming on the balance sheet. This affects how much it appears the Council has borrowed but this is effectively covered by grant payments. MRP in respect of leases and PFI schemes brought on the balance sheet under IFRS will match the annual principal repayment for the associated deferred liability. This is a technical accounting adjustment which is cost neutral for the Council.
- 6.6 MRP on Housing assets is made in accordance with statutory requirements (the General Determination of the Item 8 Credit and Item 8 Debit).

## **7 Reporting Treasury Management Activity**

The Section 151 Officer (Head of Finance & Assets) will report to the Corporate Governance Committee on treasury management activity / performance as follows:

- (a) The Treasury Management Strategy Statement and Prudential Indicators will be submitted to the committee in January each year prior to approval by Council.
- (b) Two treasury management updates will be submitted to the committee in January and September each year.
- (c) An annual report on treasury activity will be submitted to the committee in September each year for the preceding year prior to approval by Cabinet.

A treasury update will also be included in the monthly Revenue Monitoring report and borrowing will be reported on in the Capital Plan to Council.

## **Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17**

### **8 Other items**

#### **8.1 Member Training**

The CIPFA Code of Practice on Treasury Management requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The Council has nominated the Corporate Governance Committee as the committee which has responsibility for scrutiny of the treasury management function. Annual training requirements will be agreed with the Corporate Governance Committee.

#### **8.2 Treasury Management Consultants**

The Council uses Arlingclose Ltd as Treasury Management Consultants and receives the following services:

- Credit advice
- Investment advice
- Borrowing advice
- Technical accounting advice
- Economic & interest rate forecasts
- Workshops and training events

The Council maintains the quality of the service with its advisors by holding quarterly strategy meetings and tendering every 5 years. Following a recent tendering exercise, the contract was renewed with Arlingclose from 01 January 2014 for three years with an option to extend for a further two year period.

#### **8.3 Housing Revenue Account Subsidy Reform**

The Welsh Government is in negotiations with HM Treasury regarding the reform of the HRA subsidy system in Wales. Details of the precise mechanism & timing are not available at this stage. The authority will monitor developments in this area as further details become available. It is likely the changes will be implemented from 2015/16.

#### **8.4 Policy on Use of Financial Derivatives**

In the absence of any legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

**ANNEX A**

**PRUDENTIAL INDICATORS 2014/15 TO 2016/17**

**1 Background**

The indicators are calculated to demonstrate that the Council's borrowing is affordable and are underpinned by the following regulations. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

**2 Gross Debt and the Capital Financing Requirement**

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Section 151 Officer reports that the Council had no difficulty meeting this requirement in 2013/14 to date nor are there any difficulties envisaged in future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**3 Estimates of Capital Expenditure**

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

<b>Capital Expenditure</b>	<b>2013/14 Approved £000</b>	<b>2013/14 Revised £000</b>	<b>2014/15 Estimate £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>
Council Fund	29,727	34,151	10,615	5,027	4,571
Corporate Plan – Approved		6,626	2,790		
Corporate Plan – Proposed	6,603		11,649	34,083	29,102
HRA	9,182	8,534	5,028	5,179	5,335
<b>Total</b>	<b>45,512</b>	<b>49,311</b>	<b>30,082</b>	<b>44,289</b>	<b>39,008</b>

The Corporate Plan has been divided in the table above between those elements which have been approved and those which are proposed at this stage. The indicators below incorporate both elements of the Corporate Plan.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

3.2 Capital expenditure will be financed as follows:

<b>Capital Financing</b>	<b>2013/14 Approved £000</b>	<b>2013/14 Revised £000</b>	<b>2014/15 Estimate £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>
<b>Council Fund</b>					
Capital Receipts	1,738	1,436			
Grants & Contributions	14,016	19,960	4,687	1,868	1,841
Revenue Contributions & Reserves	1,009	675	664		
Supported Borrowing	6,846	5,645	4,253	2,909	2,730
Prudential Borrowing	6,118	6,435	1,011	250	
	<b>29,727</b>	<b>34,151</b>	<b>10,615</b>	<b>5,027</b>	<b>4,571</b>
<b>Corporate Plan</b>					
Capital Receipts		400			588
Grants & Contributions	990	1,200	2,834	12,252	6,207
Revenue Contributions & Reserves	2,505	700	2,520	7,245	4,844
Supported Borrowing	1,458	218	100		
Prudential Borrowing	1,650	4,108	8,985	14,586	17,463
	<b>6,603</b>	<b>6,626</b>	<b>14,439</b>	<b>34,083</b>	<b>29,102</b>
<b>Total</b>	<b>36,330</b>	<b>40,777</b>	<b>25,054</b>	<b>39,110</b>	<b>33,673</b>
<b>HRA</b>					
Capital Receipts	18	28	19	20	21
Grants & Contributions	2,400	2,400	2,400	2,400	2,400
Revenue Contributions & Reserves	1,024	890	543	871	1,354
Supported Borrowing					
Prudential Borrowing	5,740	5,216	2,066	1,888	1,560
<b>Total</b>	<b>9,182</b>	<b>8,534</b>	<b>5,028</b>	<b>5,179</b>	<b>5,335</b>

**4 Ratio of Financing Costs to Net Revenue Stream**

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It shows how much of its budget the Council uses to repay debt and interest.

## Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Approved £000	2013/14 Revised £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Financing Costs	12,168	12,502	12,796	13,249	13,725
Net Revenue Stream	190,687	191,573	187,683	185,882	185,882
<b>Council Fund Ratio</b>	<b>6.38%</b>	<b>6.53%</b>	<b>6.82%</b>	<b>7.13%</b>	<b>7.38%</b>
Financing Costs	3,092	3,143	3,497	3,599	3,675
Net Revenue Stream	12,662	12,727	12,965	13,624	14,309
<b>HRA Ratio</b>	<b>24.42%</b>	<b>24.70%</b>	<b>26.97%</b>	<b>26.42%</b>	<b>25.68%</b>

## 5 Capital Financing Requirement

5.1 The Capital Plan relies on various sources of finance i.e. grants, contributions and capital receipts. Once these are used up, we need to rely on borrowing and the Capital Financing Requirement (CFR) is the amount we need to borrow. Our borrowing shouldn't therefore go above the CFR. The Council's CFR and borrowing levels are compared in the table below for the current and future years.

Capital Financing Requirement	31/03/14 Approved £000	31/03/14 Revised £000	31/03/15 Estimate £000	31/03/16 Estimate £000	31/03/17 Estimate £000
Council Fund	150,707	149,373	156,639	167,010	179,415
HRA	33,375	31,816	32,059	32,024	31,570
PFI	10,526	10,526	10,437	10,058	9,627
<b>Total CFR</b>	<b>194,608</b>	<b>191,715</b>	<b>199,135</b>	<b>209,092</b>	<b>220,612</b>
<b>Total Debt</b>	<b>153,460</b>	<b>141,648</b>	<b>151,972</b>	<b>168,951</b>	<b>187,261</b>

Note that the projected debt level at 31/03/14 was originally estimated in February 2013 to be £12m higher than the revised estimate because the original estimate was based on the capital expenditure in the Capital Plan to be funded by borrowing for 2013/14. In practice, the Council has been internally borrowing as discussed earlier in the report and has not undertaken any external borrowing yet this year.

## 6 Incremental Impact of Capital Investment Decisions

6.1 This indicator shows how much of the Council Tax income is spent on paying debt interest.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Approved £</b>	<b>2014/15 Estimate £</b>	<b>2015/16 Estimate £</b>	<b>2016/17 Estimate £</b>
Increase in Band D Council Tax due to:				
Prudential Borrowing	5.35	2.84	2.63	2.63
Capital Receipts	0.69	0.00	0.00	0.00
Reserves	0.40	0.74	0.00	0.00
<b>Total</b>	<b>6.44</b>	<b>3.58</b>	<b>2.63</b>	<b>2.63</b>
Average Weekly Housing Rents	1.67	1.01	0.95	0.95

This indicator shows the equivalent impact on Council Tax of the decision to undertake Prudential Borrowing as well as the investment interest lost by using capital receipts and reserves to part fund the Capital Plan. The impact of supported borrowing has not been included because it is assumed that the Council would always spend its supported borrowing to fund its Capital Plan.

The increases in council house rents reflect the additional costs of financing the borrowing to be undertaken each year as part of the Housing Stock Business Plan with the aim to attain the Welsh Housing Quality Standard during 2014. The indicator illustrates the impact of each year's capital expenditure and new borrowing on weekly rents.

## **7 Authorised Limit & Operational Boundary for External Debt**

- 7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 7.2 The **Authorised Limit** sets the maximum level of external borrowing. It is measured on a daily basis against all external borrowing items on the Balance Sheet i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices. This is reported as a part of the Capital Monitoring Report.
- 7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

Affordable Limit) and if it is breached, it would be reported to the next Council meeting.

<b>Authorised Limit for External Debt</b>	<b>2013/14 Approved £000</b>	<b>2013/14 Revised £000</b>	<b>2014/15 Estimate £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>
Borrowing	175,000	165,000	170,000	180,000	200,000

- 7.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

<b>Operational Boundary for External Debt</b>	<b>2013/14 Approved £000</b>	<b>2013/14 Revised £000</b>	<b>2014/15 Estimate £000</b>	<b>2015/16 Estimate £000</b>	<b>2016/17 Estimate £000</b>
Borrowing	170,000	160,000	165,000	175,000	195,000

**8 Adoption of the CIPFA Treasury Management Code**

- 8.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council adopted the original Code in March 2002. A revised Code was issued in November 2009 and another in November 2011. One of the recommendations is that the Code is adopted by Council.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Council approved the adoption of the revised CIPFA Treasury Management Code (Nov 2011) at its meeting on 28 February 2012.

**9 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- 9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on a net interest paid basis (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).
- 9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

	2013/14 Approved %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100	100	100	100
<b>Upper Limit for Variable Rate Exposure</b>	40	40	40	40

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

**10 Maturity Structure of Fixed Rate borrowing**

10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

<b>Maturity structure of fixed rate borrowing</b>	<b>Actual %</b>	<b>Lower Limit %</b>	<b>Upper Limit %</b>
under 12 months	3.86	0	10
12 months and within 24 months	1.68	0	10
24 months and within 5 years	5.31	0	20
5 years and within 10 years	6.24	0	25
10 years and above	82.91	50	100

**11 Credit Risk**

11.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

11.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

11.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:



**Treasury Management Strategy Statement  
and Investment Strategy 2014/15 to 2016/17**

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

11.4 The only indicators with prescriptive values are credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**12 Upper Limit for total principal sums invested over 364 days**

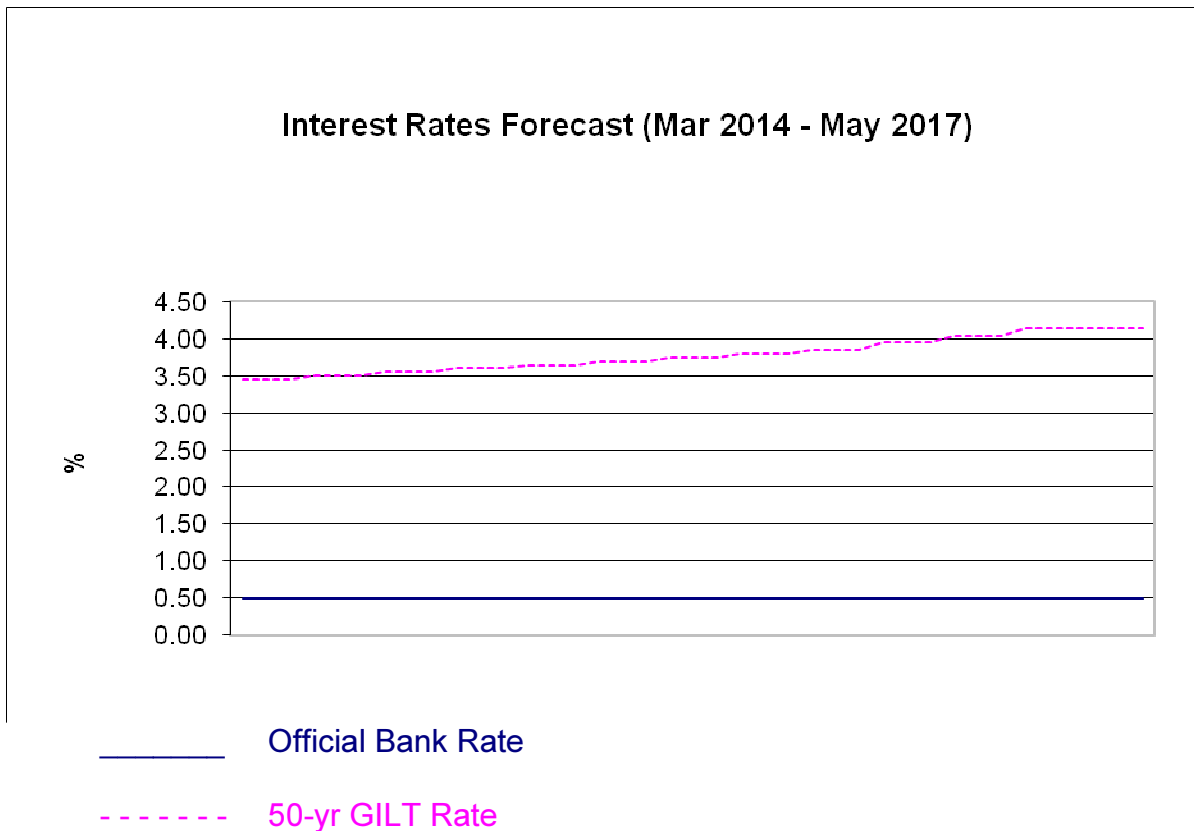
12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2013/14 Approved £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
	6.00	10.00	10.00	10.00

INTEREST RATES FORECAST

The graph below shows the interest rate forecast for the Official UK Bank Rate and the 50 year GILT rate from March 2014 to May 2017. The Official Bank Rate influences the rate at which the Council can invest. The GILT rate is the rate at which the Government borrows money and therefore this affects the rate at which we can borrow from the PWLB which is approximately 1% above GILT rates.

As the graph shows, it's much more expensive to borrow than to invest at the moment with the Official UK Bank Rate expected to remain at 0.5% for some time. The graph illustrates that the difference between investment and borrowing rates is approximately 3%. This means that the cost of carry referred to in paragraph 4.1 in **Appendix 1** is approximately £30,000 for every £1m borrowed because the Council could borrow for 50 years at a rate of approximately 4% but could only invest at a rate of approximately 1%.



## Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17

### GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

Bank of England	UK's Central Bank
Bank Rate	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
GILTS	Investments issued by UK Government which pay a fixed cash payment to the holder
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
Long term rates	More than 12 months duration
Short term rates	Less than 12 months duration

This page is intentionally left blank

### Treasury Management (TM) Update Report

#### 1 Changes in the external environment

##### 1.1 Economic Outlook

The UK economy has shown continued signs of improvements over the course of 2013, with growth for the first three quarters totalling 2.1% and CPI inflation falling to the target level of 2%. The growth in the economy can largely be attributed to an increase in consumer confidence due to a rise in UK house prices and a falling unemployment rate. Despite strong growth, risks remain that this consumer led recovery will not take hold, as weak trading updates from high street retailers cast doubt on expectations of an economic boost from a strong Christmas season while industrial production / construction data suggested growth in these two sectors stalled in November.

The economic recovery is at a delicate stage so we will continue to be cautious in relation to our current investment strategy and this is likely to continue for the medium term until we see stronger signs of sustained economic growth.

#### 2 Investment Strategy

2.1 Our current investment time limits with the banks which we invest with have remained the same since the last update as follows:

- Royal Bank of Scotland (RBS) and National Westminster Bank for a maximum period of **overnight**,
- Close Brothers for a maximum period of **100 days**,
- Lloyds TSB and Bank of Scotland for a maximum period of **6 months**;
- Nationwide BS and Barclays for a maximum period of **12 months**.

2.2 The Council has also been investing with the UK Government's Debt Management Office which is currently paying a rate of 0.25% and this option has been used when safe limits have been reached with financial institutions.

2.3 There are some changes proposed in the investment strategy for 2014/15 to diversify our investments across a larger number of financial institutions which will reduce our current reliance on a limited number of UK banks. This action is being taken because of a lower likelihood that

the UK and other governments will support failing banks in the future. As the Banking Reform Act 2014 is implemented, banks will no longer be able to rely on bail-outs and they will be expected to stand on their own feet. This increases the risk to large investors such as local authorities who may be required to provide a proportion of the amount required to cover the bank's losses in the event of default. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.

**2.4** These changes include a reduction in our banking group limit which is currently set at 1.5 times the individual bank limit for a group of banks under the same ownership. For example, we currently set our limit with the Lloyds banking group at £12m and our individual bank limit is £8m so we have £8m invested with Lloyds Bank and £4m with Bank of Scotland which is within the Lloyds banking group. The proposal in the new strategy is for the group limit to be set at the same level as the individual bank limit which would mean a reduction in our group limit from £12m to £8m. In our example above, we would have to reduce the amount invested with Lloyds Bank from £8m to £4m and we would also need to reduce the cash we have invested with the RBS banking group by £4m.

**2.5** The impact of this is that this cash will need to be invested elsewhere and we have the following options for dealing with this:

- Other local authorities
- Building Societies (as discussed below)
- Money Market Funds

**2.6** As a result of an improvement in the housing market and a strengthening of building societies' balance sheets, the 2014/15 strategy will add a number of building societies to our investment list which will help us to spread our investments over a larger number of financial institutions. This will include building societies without credit ratings where an external credit assessment by our treasury advisers, Arlingclose Ltd, shows them to be suitably creditworthy.

### **3 Borrowing Strategy**

**3.1** Borrowing strategies continue to be influenced by the relationship between investment and borrowing rates. Borrowing rates are considerably higher than investment rates at the moment and this difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments.

**3.2** In view of this, the strategy which has been in place for some time now has been to reduce our investment balances and rely on internal borrowing as much as possible instead of external borrowing from the Public Works Loan Board (PWLB). This has been sustainable because

the level of the Council's balances and reserves has been sufficient to avoid the need for external borrowing.

- 3.3** However, as the Corporate Plan is now progressing, we intend to review this strategy and begin to undertake new borrowing. Borrowing rates are also expected to rise so the intention is to borrow to take advantage of the lower rates which are available currently. Although this will create a cost of carry while the proceeds are temporarily held as investments, we will save in the long term because of the anticipated increase in borrowing rates which will result in higher interest costs if we delay.

## **4 Controls**

### **4.1 Prudential Indicators**

The Council sets prudential indicators which set boundaries within which our treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2013/14 agreed by Council in February 2013. The Council has not deviated from the Capital related indicators either.

### **4.2 Audit Reviews**

Following a positive internal audit review in February 2013 which was reported on in the last update report, the next audit review will be undertaken in February 2014 and the recommendations will be reported in the next update.

## **5 Future**

### **5.1 TM Strategy for next six months**

As the Corporate Plan is now progressing, we intend to undertake new borrowing to take advantage of the lower rates which are available currently before the anticipated rise in rates. The Council will monitor market conditions and interest rate levels to ensure that external borrowing is undertaken at the optimal time.

### **5.2 Reports**

The next reports will be the annual TM Report 2013/14 and the TM Update Report 2014/15 which will be reported to the Corporate Governance Committee in September.

This page is intentionally left blank



**Report To:** Corporate Governance  
**Date of Meeting:** 29<sup>th</sup> January 2014  
**Lead Member / Officer:** Councillor Barbara Smith  
**Report Author:** Catrin Roberts, HR Services Manager  
**Title:** Settlement Agreement Authorisation Process

---

## 1. What is the report about?

The report relates to a recent review undertaken by Audit of settlement agreements. Audit concluded whilst there was no reason to doubt the validity of any of the cases that were reviewed, the Council does not have a formal policy or code of practice for dealing with cases and there are no formal procedures to follow to ensure consistency, fairness and openness or to provide an approved business case for each agreement. As a result of number of recommendations were made namely:

- Development of a policy and process for settlement agreements
- This should incorporate a business case for making the settlement agreement and a formal process for approval.
- Provision of robust information to support the case

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

The purpose of this report is to provide an update on the above recommendations.

## 3. What are the Recommendations?

That the content of this report are noted.

## 4. Report details.

A draft process has been developed which addresses the areas of concern raised during the audit review.

The process includes:

- Complex Case Information Capture form – this will ensure that there is robust information to support the case and early involvement from legal to ensure that a settlement agreement is appropriate.
- Settlement Agreement Instruction form – this sets out clearly the conditions to be included within the agreement
- Settlement Agreement Authorisation process – before a settlement agreement is agreed, it will need to be authorised by the appropriate

Head of Service/Director, Head of Finance and Assets and Head of HR. This will ensure that agreements are applied consistently and fairly across the authority.

The process is currently out for consultation. Once it has been agreed the process can be implemented immediately and therefore the anticipated implementation date is early February.

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

There is not a direct cost associated with the implementation of this process. The costs will be determined on a case by case basis having given due consideration to the supporting facts. What this process will do however is provide a much more robust process for the authorisation of settlement agreements which in turn will be more defensible for the authority.

**6. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.**

There are no issues arising from the Equality Impact Assessment.

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

The process is currently out for consultation.

**8. Chief Finance Officer Statement**

The authorisation process will strengthen the council's position on settlement agreements and provide a fair and consistent approach across the authority. From a financial perspective it will ensure that any agreement reached is the most cost effective way of dealing with the issue.

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

The purpose of this process is to reduce the risk to the authority through providing a robust, defensible process.

Settlement Agreement Authorisation  
Process  
January 2014

Equality Impact Assessment

# Settlement Agreement Authorisation Process

Contact: Catrin Roberts

Updated: 15<sup>th</sup> January 2014

## 1. What type of proposal / decision is being assessed?

A new procedure

## 2. What is the purpose of this proposal / decision, and what change (to staff or the community) will occur as a result of its implementation?

The purpose is to provide a robust process by which settlement agreements are authorised within the authority.

## 3. Does this proposal / decision require an equality impact assessment? If no, please explain why.

*Please note: if the proposal will have an impact on people (staff or the community) then an equality impact assessment **must** be undertaken*

Yes

<If no, briefly summarise the reasons for this decision here, and skip ahead to the declaration at the end>

## 4. Please provide a summary of the steps taken, and the information used, to carry out this assessment, including any engagement undertaken

*(Please refer to section 1 in the toolkit for guidance)*

An assessment has been undertaken against the protected characteristics and the impact of the proposed changes on them using an EIA assessment form

## 5. Will this proposal / decision have a positive impact on any of the protected characteristics (age; disability; gender-reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation)?

*(Please refer to section 1 in the toolkit for a description of the protected characteristics)*

The impact will be the same regardless of an employee's protected characteristics

**6. Will this proposal / decision have a disproportionate negative impact on any of the protected characteristics (age; disability; gender-reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation)?**

No the impact will be the same on all employees regardless of their protected characteristics

**7. Has the proposal / decision been amended to eliminate or reduce any potential disproportionate negative impact? If no, please explain why.**

No	<If yes, please provide detail>
----	---------------------------------

**8. Have you identified any further actions to address and / or monitor any potential negative impact(s)?**

No	<If yes please complete the table below. If no, please explain here>
----	--

Action(s)	Owner	By when?
<Please describe>	<Enter Name>	<DD.MM.YY>
<Please describe>	<Enter Name>	<DD.MM.YY>
<Please describe>	<Enter Name>	<DD.MM.YY>
<Please describe>	<Enter Name>	<DD.MM.YY>
<Unrestrict editing to insert additional rows>	<Enter Name>	<DD.MM.YY>

**9. Declaration**

Every reasonable effort has been made to eliminate or reduce any potential disproportionate impact on people sharing protected characteristics. The actual impact of the proposal / decision will be reviewed at the appropriate stage.

Review Date:	January 2015
--------------	--------------

Name of Lead Officer for Equality Impact Assessment	Date
Catrin Roberts	15/01/14

**Please note you will be required to publish the outcome of the equality impact assessment if you identify a substantial likely impact.**

This page is intentionally left blank

**Report To:** Corporate Governance Committee

**Date of Meeting:** 29<sup>th</sup> January 2014

**Lead Member / Officer:** Alan Smith, Head of Business Planning & Performance

**Report Author:** Craig Berry, Corporate Information Manager

**Title:** Information Management Strategy – Forward Work Plan

---

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

- 1.1 The Council's new Information Management Strategy was presented to Corporate Governance Committee on 18<sup>th</sup> December 2013. The Committee acknowledged the need for such a Strategy and requested that a forward work plan for its implementation be submitted to the next meeting.

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

- 2.1 To provide Corporate Governance Committee with the forward work plan for the Information Management Strategy.

## **3. Recommendations**

- 3.1 It is recommended that Corporate Governance Committee note the forward work plan.
- 3.2 It is also recommended that an update on progress being made on implementing the Information Management Strategy be presented to the Committee on an annual basis.

## **4. Report Details**

- 4.1 Please see Appendix 1 for the Information Management Strategy's forward work plan.

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

- 5.1 The framework depicted in the Strategy will support the Council in achieving the corporate priorities, by:
- Ensuring our information can be quickly and easily identified;
  - Ensuring our information is protected, according to risk;
  - Ensuring our staff and members have the required levels of competencies to manage information appropriately;

- Ensuring our information meets statutory requirements; and
- Ensuring our vital records are identified and protected accordingly.

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

6.1 Funding for the EDRMS project has recently been approved by CET for a further 3 years. There are no additional financial resources required for implementing the Information Management Strategy, as it requires a change in culture and behaviour, which will be supported through new policies, processes, procedures and training.

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

7.1 The Council's Equalities Officer has suggested that Impact Assessments are undertaken on the actions rather than the Strategy.

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

8.1 In developing the Information Management Strategy, a draft version was shared with the following key stakeholders for comments:

- Head of Business Planning & Performance
- Business Transformation and ICT Manager
- Corporate Director – Modernisation and Wellbeing
- Corporate Director – Customers
- Lead Member for Modernising and Performance
- Legal Solicitors

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

9.1 The risks of not managing our information assets appropriately include:

- Fines - Data Protection Act is £500,000
- Reputational harm
- Unable to deliver efficiencies
- Unable to deliver modernisation programme

**10. Chief Finance Officer Statement**

10.1 n/a



## Appendix 1 - Information Management Strategy: Forward Work Plan

REF	ACTION	TARGET COMPLETION DATE	STATUS
<b>GENERAL</b>			
IM 01	Develop and launch an Information Management Strategy	Nov-13	Complete
IM 02	Develop and launch a range of new information management intranet pages	Dec-13	Complete
IM 03	Create an Access to Information Officer post to provide an increased capacity and focus to this role.	Dec-13	Complete
IM 04	Agree levels of support provision on information management matters for schools	Apr-14	In Progress
<b>RECORDS MANAGEMENT</b>			
IM 05	Develop and launch a Records Management Policy	Oct-14	Not started
IM 06	Develop a digitisation plan for the Corporate Stores (back-scanning of paper records into EDRMS) with associated scanning schedule	Jun-14	Not started
IM 07	Publish the Corporate Retention Schedule to the intranet	Dec-13	Complete
IM 08	Re-format Retention Schedule to make it more user-friendly for services and raise awareness	May-14	Not started
IM 09	Embed records retention requirements into ICT system design, change and procurement	Apr-14	Not started
IM 10	Develop and launch a records management eLearning module	Sep-14	In Progress
IM 11	Introduce a schedule of records management surgeries/drop-in sessions for services	Nov-14	Not started
IM 12	Introduce a schedule of file amnesty days as a means of encouraging services to send back any files they had previously taken out and not returned	Apr-14	Not started
IM 13	Develop quick reference guides / FAQs for staff on records management matters (including schools)	Nov-14	Not started
IM 14	Clear the backlog of boxes that are past their review date and are in need of destroying	Mar-14	Not started
IM 15	Assess options for transferring data from the current Lotus Notes database and spreadsheets into a single system that represents a more suitable and sustainable IT option.	May-14	Not started
IM 16	Develop robust file plans for each service, as part of the EDRMS roll-out	On-going	In Progress - included as part of EDRMS

			implementation
IM 17	Review and update records management content used as part of the corporate induction	May-14	Not started
IM 18	Develop a central log of vital paper records. Review the log to assist in developing a policy/guidance for managing vital records (electronic and paper) to minimise vulnerability to loss/damage	Oct-14	Not started
	<b>INFORMATION ACCESS</b>		
IM 19	EDRMS implementation - Revenues and Benefits	Dec-09	Complete
IM 20	EDRMS implementation - Health and Safety	May-12	Complete
IM 21	EDRMS implementation - Human Resources	Apr-11	Complete
IM 22	EDRMS implementation - Customers and Education Support	Dec-13	Complete
IM 23	EDRMS implementation - Planning and Building Control	Dec-10	Complete
IM 24	EDRMS implementation - Schools Improvement	Apr-14	In Progress
IM 25	EDRMS implementation - Internal Audit	Jan-14	In Progress
IM 26	EDRMS implementation - Housing	Apr-14	In Progress
IM 27	EDRMS implementation - Social Services	Feb-15	Not started
IM 28	EDRMS implementation - Payroll	Dec-14	Not started
IM 29	EDRMS implementation - Directors	Jun-14	Not started
IM 30	EDRMS implementation - Business Improvement & Modernisation	Nov-14	Not started
IM 31	EDRMS implementation - Environmental Services	Mar-15	Not started
IM 32	EDRMS implementation - Legal and Democratic Services	Jul-15	Not started
IM 33	EDRMS Implementation - Customers, Marketing and Leisure	Nov-15	Not started
IM 34	EDRMS implementation - Finance & Assets	May-16	Not started
IM 35	EDRMS implementation - Planning & Public Protection	Jul-16	Not started
IM 36	EDRMS implementation - Highways and Infrastructure	Mar-17	Not started
IM 37	Develop and present an electronic mailroom business case to Modernisation Programme Board for consideration	Feb-14	In Progress
IM 38	Include an introduction to EDRMS as part of the corporate induction	Apr-14	Not started
IM 39	Digitise typed archives catalogues and publish on website	Dec-14	In Progress
IM 40	Identify archive collections that are suitable to be digitised and develop a schedule for digitisation	Jun-14	In Progress

IM 41	Achieve archives accreditation	Dec-14	In Progress
IM 42	Explore a possible link between EDRMS and Archives Matica for those records born digital and that are of a historical importance	Jul-14	In Progress
IM 43	Develop and launch De-clutter Guidance / Paper Housekeeping Guidance	Feb-14	In Progress
IM 44	Develop a Facebook page for Denbighshire Archives Service	Mar-15	Not started
<b>INFORMATION ASSURANCE</b>			
IM 45	Develop and launch a Network Drives Policy	Feb-14	In Progress
IM 46	Update and launch Information Security Policy	Jun-14	Not started
IM 47	Develop and launch Information Security Breach Procedure	Mar-14	In Progress
IM 48	Develop and launch an information security eLearning module	Aug-14	Not started
IM 49	Further develop FAQs and quick reference guides for staff (including schools) on information security matters and publish on intranet	Jul-14	Not started
IM 50	Achieve PSN accreditation	Jun-14	In Progress
IM 51	Review and embed information security requirements for design, changes and procurement of IT systems	May-14	In Progress
IM 52	Develop and submit a business case for Egress secure email	Mar-14	In Progress
IM 53	Develop proposals for introducing protective marking scheme in accordance with Cabinet Office requirements	Dec-14	Not started
IM 54	Assess the Council's current confidential waste support and develop recommendations for improving.	Dec-14	Not started
IM 55	Develop and launch a Bring Your Own Device Policy	Dec-14	Not started
IM 56	Review information security content used as part of the corporate induction	May-14	Not started
IM 57	Introduce a series of spot checks to ensure information security standards and policies are being met on paper and electronic information within services	Aug-14	Not started
IM 58	Develop and launch an Email eLearning module	Jul-14	Not started
IM 59	Develop an Information Asset Register	Feb-14	In Progress
IM 60	Develop and launch an Email Policy	Jun-14	Not started
IM 61	Conduct an annual review of information risk and the effectiveness of the information risk policy.	Apr-14	Not started
IM 62	Develop and communicate further guidance/best practice on information sharing	Jun-14	Not started
IM 63	Collate and publish Information sharing agreements from across the Council with a central register	Jan-14	Complete

<b>INFORMATION COMPLIANCE</b>		
IM 64	Work with services to get most frequently requested information included in Publication Scheme	Dec-14 In Progress
IM 65	Raise awareness of latest fines by publicising on intranet and communicate lessons learnt (quarterly basis)	On-going On-going
IM 66	Create and launch a Data Protection eLearning module (mandatory)	Mar-14 In Progress
IM 67	Create and launch a Freedom of Information eLearning module	May-14 In Progress
IM 68	Create and launch an Environmental Information Regulations eLearning module	May-14 In Progress
IM 69	Schedule 6 monthly meetings with Information Management Officers to improve communications across the network	Feb-14 In Progress
IM 70	Explore the use of Disclosure Logs as a means of publishing responses to information requests	Jun-14 Not started
IM 71	Develop guidance and FAQs on access to information matters for staff (including schools)	Jul-14 Not started
IM 72	Review Information Management Officer's network	Dec-14 Complete
IM 73	Arrange access to information training for SLT, Corporate Governance Committee and Information Management Officers	Feb-14 Complete
IM 74	Review Access to information content used as part of the corporate induction	Mar-14 Not started
IM 75	Form an Information Governance Group to lead on and coordinate Access to Information matters	Oct-13 Complete
IM 76	Assess Publication Scheme and undertake any work needed to ensure it meets ICO requirements	Nov-13 Complete
IM 77	Introduce a Privacy Impact Assessment into corporate project management framework	Sep-13 Complete
IM 78	Introduce a Privacy Impact Assessment into IT systems design, change and procurement	Mar-14 In Progress
<b>INFORMATION QUALITY</b>		
IM 79	Develop and launch a Version Control Policy	Feb-14 In Progress
IM 80	Develop and launch a File-naming Policy	Feb-14 In Progress
IM 81	Develop and launch a range of corporate templates.	Oct-14 Not started

**Report To:** Corporate Governance Committee

**Date of Meeting:** 29<sup>th</sup> January 2014

**Lead Member / Officer:** Barbara Smith/ Gary Williams  
Monitoring Officer and SRO for RIPA

**Report Author:** Lisa Jones, Deputy Monitoring Officer.

**Title:** Annual RIPA (Regulation of Investigatory Powers Act 2000 ) Report

---

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

The Home Office RIPA Codes of Practice require local authorities to report the Council's activities in relation to any covert surveillance, to elected members. The Corporate Governance Committee receives such reports.

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

To inform Members of the Council's activities in this area.

**3. What are the Recommendations?**

That the Corporate Governance Committee  
(1) note the contents of the report  
(2) provide officers with any views regarding the use of covert surveillance in the County.

**4. Report details.**

RIPA regulates the use of covert surveillance techniques employed by various bodies such as the police, the armed forces, DWP and local authorities. RIPA was enacted in order to ensure that an individual's human rights are protected. In the context of RIPA, Article 8 (the right to respect a person's private and family life) of the European Convention on the Protection of Human Rights and Fundamental Freedoms is the most relevant.

In addition to human rights, covert surveillance operations must also have regard to any Home Office Codes of Practice. The Codes of Practice now require elected members to receive regular (at least annually) reports on the Council's activities in this area. During the consultation period on these requirements the government of the day provided the following position in relation to the question – Should elected councillors be given a role in overseeing the way local authorities use covert investigatory techniques ?

Government's position:

‘ working from the premise that the way that public authorities discharge their duties should be understood by and command the confidence and support of the local community, the Home Office agrees that the involvement of elected members in local authorities can be helpful in terms of transparency and accountability. The overwhelming consensus of this consultation is that councillors should have oversight of council’s use of covert investigative techniques authorised under RIPA, that this oversight should be strategic not operational, and that individual local authorities should have some degree of local flexibility to determine the exact form and frequency of that oversight’

The Council’s Senior Responsible Officer for RIPA holds the central record of applications and co-ordinates the Investigating Officer’s application to the Councils RIPA Authorising Officers (CET), when covert surveillance is planned.

### DCC Ripa activity

During the period 1<sup>st</sup> January 2013 to the 31<sup>st</sup> December 2013, the Council conducted directed surveillance on one occasion in relation to the sale of alcohol to underage persons.

During the same period, 13 authorisations to acquire communications data were made via the Councils membership of the National Anti Fraud Network. (NAFN). NAFN’s key services are:

- Acquiring data legally, efficiently and effectively from a wide range of information providers,
- Acting as a hub for the collection, collation and circulation of intelligence alerts,
- Providing best practice examples of process, forms and procedures.

The RIPA legislation was amended by the Protection of Freedoms Act 2012 and now allows Council’s to conduct covert surveillance in certain prescribed circumstances only namely:

- Where the suspected offence falls within the definition of ‘Serious Crime’
- That the Council has firstly obtained a Magistrates Approval before commencing the surveillance activity. This takes place as soon as DCC’s internal Authorising Officer (an officer from CET) signs off the application.

The Council’s Corporate RIPA Policy and Procedures document has been updated to reflect these processes.

### Oversight

The Council was inspected by the Office of the Surveillance Commissioner (OSC) on the 14<sup>th</sup> June 2012 in respect of its directed surveillance activities; and on the 11<sup>th</sup> September 2012 by the ‘Interception of Communications

Commissioner's Office (IOCCO), in respect of its ' interception of communications' activities. The Corporate Governance Committee have already received copies of the reports which were brought to the Committee by the RIPA SRO on the 14<sup>th</sup> November 2012.

The Council set up an Officer's RIPA working group in 2009, which has continued to meet approximately twice a year. Membership now includes the CCTV manager in addition to Officers from Public Protection and the Environment departments. The work of the group is to ensure Officers working in this area keep abreast of changes in the law and that this is reflected in our corporate policy.

This Working Group also consider the councils' training requirements in this area, and deliver the training in house in order to keep the cost down and the content relevant to the needs and policy of this authority. The last round of training took place on the 18<sup>th</sup> June 2012 for Investigating Officers, then a separate session for the Authorising Officers (CET) in September 2012. Evidence of training is one area that the Inspectors are keen to see taking place and refresher training is planned for 2014 to be delivered by the Monitoring Officer/SRO for Ripa and the Deputy Monitoring Officer/ Ripa Co-Ordinator.

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

It contributes to the corporate priority of keeping the Council close to the community.

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

There are no implications on other services as a result of this report.

**7. What consultations have been carried out?**

No consultations have been necessary for this report.

**8. Chief Finance Officer Statement**

Not required.

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

There are no risks in complying with RIPA fully, there are risks in not complying as we may breach human rights.

**10. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

Not included.

**11. Power to make the Decision**

## Regulation of Investigatory Powers Act 2000



**Report To:** Corporate Governance Committee

**Date of Meeting:** 29 January 2014

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

**Title:** Internal Audit Progress Report

---

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

This report updates the Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

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

To bring the Committee up to date regarding:

- delivery of our Assurance Plan for 2013/14 (Appendix 1)
- recent Internal Audit reports issued (Appendix 2)
- management's response to issues we have raised (Appendix 3)
- Internal Audit's performance (Appendix 4)

## **3. What are the Recommendations?**

- Committee considers and comments on Internal Audit's progress and performance to date in 2013/14
- Committee considers and comments on recent Internal Audit reports issued and follow ups carried out

## **4. Internal Audit Progress**

### ***Delivery of the Internal Audit Assurance Plan 2013/14***

- 4.1. Appendix 1 provides a breakdown of our work during 2013/14, compared to the 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.
- 4.2. During recent one-to-ones within the Internal Audit team, we have prioritised those projects deemed as 'Essential Assurance' to ensure that they are completed to at least draft report stage by 31 March 2014.
- 4.3. Transfer of the service to the Business Improvement & Modernisation service, implementation of the corporate EDRMS system, tendering for an external contract and a move to new laptops has caused some disruption within the service in recent weeks that may lead to a few of the 'Risk-based Assurance' projects not being completed during 2013/14. If this happens, these projects will be prioritised within the assurance planning work for 2014/15.

## Summary of Recent Internal Audit Reports

4.4. 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

4.5. Appendix 2 provides a summary of the final Internal Audit reports issued since my report in December 2013. Executive summary reports and action plans are also included for further information.

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

4.6. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.

4.7 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, e.g. by calling the relevant people to its next meeting or asking for a written report to explain lack of progress.

4.8 Appendix 3 shows the follow up reviews completed since my last report to this Committee. Due to the Christmas period, we are still working on some of the January 2014 follow ups, so will update the Committee on these at its next meeting.

### **Internal Audit Performance**

4.9 Internal Audit measures its performance in two key areas:

- *Provision of 'Essential Assurance'* - These projects ensure that the Council delivers its S151 Officer obligations, is managing its main corporate risks and has robust arrangements in place for corporate governance and delivery of its corporate priorities.
- *'Customer Standards'* - A range of indicators to ensure that we deliver a good service to our customers.

4.10 Appendix 4 shows our performance to date for 2013/14. We are on target to deliver 100% of 'Essential Assurance' projects by 31 March 2014 as several will be completed during the final quarter of the year. We should achieve 100% on all 'Customer Standards' with one exception where we gave eight working days notice of a project commencement rather than the required 10 days.

### Internal Audit Work 2013/14 – progress as at 05/01/14

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Financial Assurance</b>								
Financial systems – Ruthin based 2012/13	0	1	Complete	Medium	0	1	7	Completion of 2012/13 review
Financial systems – Rhyl based	48	42	Complete	High	0	0	3	
Financial systems – Ruthin based	30	0	Preparation					Due to commence January 2014
Financial systems - Activedata testing 2012/13	16	14	Complete	Medium	0	0	0	
Settlement agreements	5	4	Complete	n/a	0	3	0	Summary report
<b>Sub-totals</b>	<b>99</b>	<b>62</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 4.6%		Actual to date: 4.1%
<b>Performance</b>	4 planned projects - 3 completed to draft report stage = 75%							
<b>Grant &amp; Other Certification Assurance</b>								
Sustainability/Climate Change	3	4	Complete	High	0	0	4	
Welsh Government (WG) education grant certification	15							Completion of 2012/13 review
- Breakfast initiative Grant		5	Complete	High	0	0	0	
- Thinking & Assessment for Learning Grant		3	Complete	n/a	0	0	0	
WG 6 <sup>th</sup> Form Funding – Ysgol Brynhyfryd, Ruthin	15	17	Complete	Medium	0	0	3	
WG Student Finance certification	5	6	Complete	High	0	0	0	
WG 6 <sup>th</sup> Form Funding - Denbigh High School	15	2	Preparation					Due to commence January 2014
<b>Sub-totals</b>	<b>53</b>	<b>37</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 2.5%		Actual to date: 2.4%
<b>Performance</b>	5 planned projects - 3 completed to draft report stage = 80%							

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Corporate Governance Assurance</b>								
Risk management	0	5	Complete	Medium	0	0	4	Completion of 2012/13 review
Procurement	20	36	Complete	Low	0	6	5	
Corporate Plan - Developing the local economy	9	0	Not started					Due Jan-Mar 2014
Corporate Plan - Improving performance in education and the quality of our school buildings	3	0	Not started					Due Jan-Mar 2014
Corporate Plan - Improving our roads	4	0	Not started					Due Jan-Mar 2014
Corporate Plan - Vulnerable people are protected and are able to live as independently as possible	6	0	In progress					
Corporate Plan - Ensuring access to good quality housing	3	0	Not started					Due Jan-Mar 2014
Corporate Plan - Clean & tidy streets	5	0	Not started					Due Jan-Mar 2014
Corporate Plan - Strategic overview	1	0	Not started					Due Jan-Mar 2014
Customer Service Standards	7	1	Preparation					Due Jan-Mar 2014
Customer feedback process	10	1	Preparation					Due Jan-Mar 2014
Corporate Plan - Modernising the council to deliver efficiencies and improve services for our customers - Other areas	15	0	Preparation					Due Jan-Mar 2014
Partnerships & collaboration - N. Wales Commissioning Hub	15	0	Not started					Due Jan-Mar 2014
Partnerships & collaboration New Work Connections Exit strategy		5	Complete	Medium	0	0	2	
Project management	20	23	In progress					

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
- Rhyl Foryd Harbour Pedestrian & Cycle Bridge			Draft report					
Management of human resources - disciplinaries & difficult situations	20	0	Preparation					Due Jan-Mar 2014
Management of human resources - cessation of employment	20	0	Not started					Due Jan-Mar 2014
Roles & responsibilities of elected members & senior officers	5	0	Preparation					Due Jan-Mar 2014
Scheme of delegation for decision making	5	0	Not started					Due Jan-Mar 2014
S151 Officer Role	6	3	In progress					
Equalities	15	0	Preparation					Due Jan-Mar 2014
Leadership	1	0	Complete	High	0	0	0	Assurance taken from outcome of staff survey
Corporate Governance Framework	15	5	In progress					On-going work during the year
<b>Sub-totals</b>	<b>205</b>	<b>79</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 9.6%		Actual to date: 5.2%
<b>Performance</b>	21 planned projects - 4 completed to draft report stage = 19%							
<b>High Corporate Risk Assurance</b>								
Collaboration agenda	3	0	Cancelled					No longer high risk in Corporate Risk Register
Change/ modernisation projects	3	0	Not started					Due Jan-Mar 2014
HR framework	3	0	Not started					Due Jan-Mar 2014
ICT investment	3	0	Not started					Due Jan-Mar 2014
Corporate Risk - Safeguarding	3	1	In progress					
Corporate Risk - Economic Environment	2	0	Not started					Due Jan-Mar 2014
Corporate Risk - Arms Length Organisations	2	3	Completed					Review of risks associated with Clwyd Leisure Ltd.

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Corporate Risk - BCU Health Board Partnership	3	0	Not started					Due Jan-Mar 2014
<b>Sub-totals</b>	<b>22</b>	<b>4</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 1.0%		Actual to date: 0.3%
<b>Performance</b>	7 planned projects-1 completed = 14%							
<b>Risk-based Assurance</b>								
Corporate Health & Safety	20	25	Complete	Medium	0	1	5	
Sickness absence management	25	0	Not started					Postponement to 14/15 to allow implementation of new procedures
Travel & subsistence - pool cars	20	21	Complete	n/a	n/a	n/a	n/a	Review of viability only
Welfare advice	30	41	Complete	Medium	0	1	7	
Management of Council buildings	20	24	Complete					Verbal update on request of S151 Officer
Adult Services - improvement & priority areas from self-assessment 2013/14	5	1	In progress					
Adult Services - residential care	20	24	Complete	Medium	0	0	13	
Adult Services - Deputy for Finance (Court of Protection)	12	12	Complete	Medium	0	0	4	
Children's Services - improvement & priority areas from self-assessment 2013/14	5	0	In progress					
Children's Services - cash payments to clients	15	10	In progress					
Children's Services - performance	1	1	Completed	n/a	n/a	n/a	n/a	Review of specific performance indicator only
Library Standards	2	1	In progress					
School admissions	10	0	Not started					Due Jan-Mar 2014
2st Century Schools programme	10	0	Not started					Due Jan-Mar 2014

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
School themed visits - governance	20	24	In progress					
School themed visits - physical security / health & safety	30	1	Scoping					Due Jan-Mar 2014
School themed visits - procurement	20	1	Scoping					May be postponed to 2014/15
School themed visits - safeguarding	15	1	Scoping					Due Jan-Mar 2014
School themed visits - School Fund management	15	1	Scoping					May be postponed to 2014/15
Blessed Edward Jones School, Rhyl	15	21	Draft report					
Special Education	30	0	Not started					May be postponed to 2014/15
Flying Start Grant	5	0	Complete	n/a	n/a	n/a	n/a	Project no longer necessary
School Improvement performance	1	0	Cancelled					No longer required as performance improved
School Improvement - review of admin, terms & conditions, TOIL & travel costs	20	30	Draft report					
Fly tipping	1	1	Complete					Review of specific performance indicator only
Public conveniences	10	20	Complete	Medium	0	0	4	
Highways network services	10	0	Not started					Due Jan-Mar 2014
S106 Agreements	10	1	Cancelled					Head of Service no longer requires project
Legal Services	25	0	Not started					Due Jan-Mar 2014
Coroners Service	20	0	Not started					Due Jan-Mar 2014
Taxi driver & vehicle licensing	25	0	Not started					Due Jan-Mar 2014
IT assurance work	10	1	Not started					Due Jan-Mar 2014
Fostering Service	0	8	Complete	Medium	0	0	2	Completion of 2012/13 review

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Adults services - efficiency of charging processes	0	8	Complete	n/a	n/a	n/a	n/a	Completion of 2012/13 review
Modernising Education	0	4	Complete	n/a	n/a	n/a	n/a	Completion of 2012/13 review
Ysgol Clawdd Offa, Prestatyn	0	4	Complete	Low	0	7	21	Completion of 2012/13 review
Winter maintenance	0	1	Complete	Medium	0	0	10	Completion of 2012/13 review
Countryside Services	0	23	Complete	Medium	0	0	8	Completion of 2012/13 review
Housing Services	0	7	Complete	Medium	0	0	8	Completion of 2012/13 review
Consultant payments	0	10	In progress					On-going work from 2012/13
Review of corporate petty cash accounts	0	12	In progress					Issue noted during another project
Revision of schools audit programme & 6th form terms & conditions	0	4	In progress					Work needed in advance on 2014/15 projects
Management of human resources - agency / relief staff	10	10	In progress					
<b>Sub-totals</b>	<b>487</b>	<b>353</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 22.7 %		Actual to date: 23.3%
<b>Modernising &amp; Efficiency Projects</b>								
Leisure Services information management system	2	0	Not started					Date to be agreed
Fleet management & vehicle maintenance	15	1	Scoping					Commencement to be agreed
Reablement service	3	5	Complete					
Disabled Facilities Grants	10	3	Scoping					Commencement to be agreed
Housing responsive repairs & voids - continuation of performance measurement	10	4	In progress					
Planning & Public Protection - process reviews of various services	10	9	Complete					



Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
IT Service Desk	10	9	Complete					
Contingency for future reviews	16							
<b>Sub-totals</b>	<b>76</b>	<b>31</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 3.6%		Actual to date: 2.1%
<b>External Contract Work</b>								
Natural Resources Wales	165	118						
North Wales Police	225	184						
School Fund Audits	40	16						
<b>Sub-totals</b>	<b>430</b>	<b>318</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 20.1%		Actual to date: 21.0%
<b>Other Areas of Work &amp; Contingencies</b>								
Consultancy & Corporate Work	120	114						
Follow up reviews	53	46						
IA collaboration	20	14						
Frauds & Investigations	50							
- National Fraud Initiative		7						
- Council Tax complaint		6						
- THI Grants		17						
- general enquiries		10						
IA relationship management	25	8						
<b>Sub-totals</b>	<b>268</b>	<b>222</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 12.5%		Actual to date: 14.7%

Internal Audit Assurance Plan	Planned Days	Days to Date	Current Status	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>IA Support</b>								
Management & administration	400	273						
Training & development	100	135						
<b>Sub-totals</b>	<b>500</b>	<b>408</b>	<b>% Internal Audit Assurance Plan</b>			Estimated: 23.4%		Actual to date: 26.9%
<b>Grand Totals</b>	<b>2140</b>	<b>1514</b>						

## Recent Internal Audit Reports

Audit Report	Audit Opinion	Issues Raised			Comments
		Critical Risk (Red)	Major Risk (Amber)	Moderate Risk (Yellow)	
Adult Services - Residential Care Homes	Medium	0	0	13	
Public conveniences	Medium	0	0	4	

***Denbighshire Internal Audit Services***  
*Caledfryn, Smithfield Road, Denbigh, LL16 3RJ*

---

## **Residential Care Homes**

December 2013



Brenda M Steed CMIIA, MInstLM  
[brenda.steed@denbighshire.gov.uk](mailto:brenda.steed@denbighshire.gov.uk)

01824 706753

Irene Griffiths  
[irene.griffiths@denbighshire.gov.uk](mailto:irene.griffiths@denbighshire.gov.uk)

01824 706974

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

## Purpose & Scope of Review

We carried out a review of the Council-managed residential care homes in August 2013, having not audited them for several years.

We visited the following homes:





- Awelon, Ruthin
- Cysgod y Gaer, Corwen
- Dolwen, Denbigh

The scope of our work focused on general management issues at all three sites, i.e. we did not look at any social care elements. We reviewed the following:

- Income / asset records and procedures
- Petty cash accounts & procurement
- Health & safety, fire safety, building management and general security

## Assurance Rating

(Based on areas reviewed)

	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

## Audit Opinion

Overall, our review of the three homes found that they manage financial tasks well and, in general, there is good record keeping for residents' monies. They administer petty cash accounts well but use them excessively, so need to review their procurement practices. Each home has a culture of incurring expenditure through the petty cash accounts to the extent that it is unreasonable. Wherever possible, framework agreements should be used to procure goods and services and better use of the Proactis system will introduce added controls and more efficient ways of working.

Training is a predominant feature for employees to help ensure that they are sufficiently skilled to carry out their role safely and efficiently. The supply of courses to meet the demand can be problematic in some subject areas but this issue needs to be looked at from a service perspective.

The majority of health and safety requirements are in place but some lapses in fire management records and evacuation drills leave the homes vulnerable in the event of an emergency. The fundamental elements of health and safety are widely embedded throughout the home environment and routine tasks connected with water management, portable appliance (PAT) testing of electrical goods, food hygiene and others are carried out regularly. A lot of work has gone into setting up a fire management file at each site and Awelon and Cysgod y Gaer would do well to replicate the system in place at Dolwen, which is of a high standard. This would help to address the issues raised in respect of fire equipment and site location maps.

Our main area of concern is around the relaxed approach to general building security. Procedures and activities need to be far more robust than they currently are to maximise the safety of the residents and employees. There are no panic alarms or call buttons to protect employees should they feel threatened by a difficult personal situation and there needs to be more vigilance when visitors or contractors are on site, with signing in and out logs always completed. Raising awareness of the implications of security lapses should encourage employees to be more proactive in maintaining a safer working environment and home for the residents.

We have raised several issues, which are all achievable at service level; however, given the nature of some of the issues, we held an escalation meeting with the Corporate Director – Modernisation & Wellbeing and the Lead Member for Social Care & Children's Services to seek assurance that the action plan to address the issues is robust. As we received this assurance, we have given a medium assurance rating for the areas reviewed.

# Action Plan

**Audit Review of:** Residential Care Homes  
**Date:** December 2013  
**Action Plan Owner:** Phil Gilroy (Head of Adult & Business Services)

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

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	<p>There is no overarching policy at any of the homes for managing people’s finances, e.g. stipulating how much the service is prepared to hold for residents.</p> <p>Additionally, linked to the above, there are no written procedures in place to guide members of staff on how to deal with income and residents’ monies, particularly if received outside of normal office hours.</p>	<ul style="list-style-type: none"> <li>The Admission Agreement letter issued to all new residents has been amended to ensure that new residents are advised that the home can only hold a maximum of £100 per individual resident and a record held of the fact that this information has been given.</li> </ul>	Home Managers	1 December 2013
		<ul style="list-style-type: none"> <li>Work is already underway to develop a procedure to guide members of staff in the receipt of money out of hours.</li> </ul>	Home Managers	1 December 2013
		<ul style="list-style-type: none"> <li>General everyday procedures i.e. operated during normal hours, to be developed as well as the above.</li> </ul>	Home Managers	1 January 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>Despite having a number of supplier framework agreements, there is still a large amount of expenditure incurred via the petty cash account, to the extent that it is being over-used at all three homes.</p> <p>We have highlighted several risks linked to this method in our report and, through better communication with the Strategic Procurement unit, the number of ad-hoc purchases made from supermarkets can be reduced.</p>	<ul style="list-style-type: none"> <li>Petty cash account to be reviewed with support from Finance and Procurement colleagues to make better use of the framework agreement, while at the same time enabling managers to continue to support residents accessing the community and making choices for themselves in certain areas.</li> <li>Develop an action plan with the Finance and Procurement Officers to look at specific products and to review on-going spend through the petty cash accounts.</li> </ul>	<p>Team Manager /Procurement &amp; Finance Officers. Home managers will be involved in these discussions.</p> <p>As above</p>	31 March 2014
3.	<p>All three homes are processing an excessive number of standalone invoices through Proactis. This poses financial risks and circumvents expected controls.</p> <p>Additionally, activity in respect of purchasing could be modernised, making better use of IT, leading to more efficient ways of working.</p>	<ul style="list-style-type: none"> <li>Discussions with Finance and Proactis colleagues to provide additional training for relevant members of staff to make better use of the Proactis system. (Training courses to begin in January 2014 focusing on refresher training and key areas for improvement)</li> <li>With specific reference to orders made by the cooks, in all three homes cooks and other kitchen staff have now been instructed that all orders must go through the office. Home Managers will monitor this to ensure compliance.</li> </ul>	<p>Team Manager</p> <p>Home Managers</p>	<p>31 March 2014</p> <p>1 November 2013 &amp; on-going</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	<p>Training courses are provided in-house but the terms and conditions of the Welsh Government funding arrangements make it difficult for members of staff in the homes to access courses, due to them being offered to all other sectors at the same time.</p>	<ul style="list-style-type: none"> <li>• Workforce Development team to continue working with Provider Managers to identify critical training needs affecting Provider staff, e.g. prioritising first aid and refresher training where applicable.</li> <li>• Increased use of CYG training room in the south of the county as appropriate</li> <li>• Earlier identification of training needs for new staff joining the service.</li> </ul>	Team Manager – Workforce Development MS	1 March 2014
5.	<p>Management is not always proactive in delivering refresher training in health and safety (this mainly applies to Awelon &amp; Cysgod y Gaer).</p> <p>Also, for consistency with the other homes, employees at Cysgod y Gaer would benefit from training in personal safety &amp; conflict resolution</p>	<ul style="list-style-type: none"> <li>• Health and safety training for members of staff in both the north and south of the county has been arranged to include building security and personal safety.</li> </ul> <p><i>These arrangements were made in September 2013 and the training is scheduled to be delivered in January and February 2014. Home Managers will ensure that all relevant members of staff attend.</i></p> <ul style="list-style-type: none"> <li>• Also consider scope to provide conflict training if available.</li> </ul>	Home Managers	1 March 2014



Risk/ Issue No.	Risk/Issue	Action	Who	When
6.	First aid notices and signage for the location of equipment are not displayed at Awelon and Cysgod y Gaer.	<p><i>Captured within the work done with corporate colleagues in respect of the implementation of the new Fire Safety Procedures. Work was undertaken and the procedure implemented initially in Dolwen and is now being rolled out to both Awelon and Cysgod y Gaer.</i></p> <ul style="list-style-type: none"> <li>Managers on these sites were already required to ensure that this work was completed by 1 February 2014. Work is still on-going and progressing well at this time.</li> </ul>	Team/Home Managers	1 February 2014
7.	Asbestos surveys are provided in a prime location at all homes but management needs to be more proactive in raising awareness and prompting contractors to read the survey and sign the register before they start work on site (this mainly applies to Dolwen and Cysgod y Gaer).	<p><i>Home Managers are already required to ensure that all contractors read the survey information and sign the register to indicate that they have done so.</i></p> <ul style="list-style-type: none"> <li>Managers will now review the arrangements in place for this and look to develop a more robust system.</li> </ul>	Home Managers	1 December 2013
8.	For consistency and to avoid confusion, it would be advisable to replicate Dolwen's fire management file at all three locations and remove the need for additional files to be maintained, which could lead to confusion and information not being up to date.	See action in response to Risk/Issue 6 above	Team/Home Managers	1 February 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
9.	<p>Fire equipment records at Awelon and Cysgod y Gaer are not up to date. Additionally, location maps at both these sites are out of date. Both factors could be critical in the event of a fire.</p> <p>As part of this housekeeping exercise, all emergency plans would benefit from a check to ensure that all information held is accurate.</p>	<p>See action in response to Risk/Issue 6 above.</p> <ul style="list-style-type: none"> <li>Emergency plans to be reviewed in line with the above on-going work.</li> </ul>	<p>Team/Home Managers</p> <p>Team/Home Managers</p>	<p>1 February 2014</p> <p>1 March 2014</p>
10.	<p>Procedures and the frequency of fire drills and evacuations should be improved through some discussion with the Corporate Health &amp; Safety Advisor, who specialises in this area.</p> <p>Records are not always maintained when fire drills and evacuations occur.</p>	<ul style="list-style-type: none"> <li>Team Manager met with Corporate Health &amp; Safety Officer in September 2013 to confirm the introduction of the new style fire training.</li> <li>New fire training process implemented by Home Managers in November 2013 and reviewed by Team Manager during December. Records of all events to be retained.</li> </ul> <p>See action in response to Risk/Action 6 above</p> <ul style="list-style-type: none"> <li>Develop a schedule of all health and safety and property related activities to ensure they are carried out simultaneously at all three homes throughout the year to enable lessons learnt to be shared between management.</li> </ul>	<p>Team Manager/H &amp; S Officer</p> <p>Home Managers</p> <p>Home Managers</p>	<p>Completed</p> <p>31.12.2013</p> <p>31.01.14</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
11.	<p>In line with health and safety requirements, management needs to be more vigilant in ensuring that all visitors to the homes sign in on arrival and out when leaving the building.</p> <p>Additionally, options to raise awareness of visitors arriving, such as the use of doorbells, should be considered.</p>	<p><i>During the hours of darkness it has always been the practice to lock the front door of all three homes. During daytime the door is unlocked to enable residents who are able to come and go. In acknowledging the concerns raised in this audit report the need to enable residents to continue with this practice in some way needs to be maintained.</i></p> <ul style="list-style-type: none"> <li>• Raise the matter for discussion with the residents to seek their views and consider potential solutions. Following consultation, communicate the new process to all parties.</li> <li>• In the meantime, be more vigilant in ensuring that all visitors to the building sign in on arrival and out on departure.</li> <li>• In addition, consider the feasibility of locking the door and visitors being required to ring the bell. Appropriate notices will be put in place to this effect.</li> </ul>	<p>Home Managers</p> <p>Home Managers</p> <p>Team Manager</p>	<p>31 December 2013</p> <p>01 November 2013</p> <p>31 January 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
12.	Members of staff may be at risk of personal attack, particularly in the manager's office areas, and currently there are no panic alarms or call buttons to raise awareness to other employees if an incident occurs.	<ul style="list-style-type: none"> <li>Carry out a review of activity undertaken in the manager's office area (most of these are adjacent to the front door) to determine which activities need to happen in that area with a view to reducing the amount of time individuals work alone in the area.</li> <li>Clearly not all activity can take place elsewhere but alongside this review, the Team Manager will explore the options in respect of the provision of panic / personal alarms to be used by individuals working in these areas.</li> <li>Personal alarms have now been obtained and circulated to Home Managers for use by individuals in the office areas. Training to be provided.</li> </ul>	<p>Home Managers</p> <p>Team Manager</p> <p>Home Managers</p>	<p>1 December 2013</p> <p>1 December 2013</p> <p>25 November 2013</p>
13.	Our walk-through checks at the homes alerted us to some security risks (as detailed in our report) and an overall review of security arrangements may help to instil an awareness of the potential risks of these actions and to consider where improvements can be made.	<ul style="list-style-type: none"> <li>Each Home Manager will be instructed to carry out a review in this area and this will be overseen by the Team manager.</li> <li>Include awareness raising for members of staff in respect of overall security in forthcoming staff meetings. Reinforce this message at subsequent meetings and more generally with members of staff in daily handover meetings.</li> </ul> <p>In the meantime managers have been instructed to take the following actions:</p>	<p>Home Managers</p> <p>Team Manager</p> <p>Home Managers</p> <p>Team Manager</p>	<p>18 November 2013</p> <p>25 November 2013</p> <p>1 November 2013</p> <p>25 November 2013</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
		<ul style="list-style-type: none"> <li>• Not to use door wedges and to remove them all.</li> <li>• Ensure that where there are external doors (with the exception of the front door) these can only be left open when there is a member of staff in the room/area.</li> <li>• Where rooms are locked (including those marked Dangerous Substances) and keys left in the lock, on the doorframe or hooks, all keys are to be removed and managers have been instructed to locate these in a safe but accessible place for staff use.</li> </ul> <p>In relation to Awelon and the neighbouring Llys Awelon unit. The Home Manager has advised her own staffing team and those in Llys Awelon of the security issues raised in the report and reminded them of the arrangements for securing both units.</p> <p>The Team Manager will review compliance on all of these areas during January 2014.</p>	Team Manager	31 January 2014

***Denbighshire Internal Audit Services***  
*Caledfryn, Smithfield Road, Denbigh, LL16 3RJ*

---

## **Public Conveniences**

December 2013



**Samantha Davies**                      01824 706982  
samantha.davies@denbighshire.gov.uk

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

## Purpose & Scope of Review

We reviewed the public conveniences services as we have had not reviewed this area for several years and the Head of Service had requested some assurance over income collection processes.





As part of the review we looked at the following areas:

- income collection and controls
- staffing arrangements
- running costs
- customer service
- safety and security

Page 87

## Assurance Rating

(Based on areas reviewed)

	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

## Audit Opinion

Overall, the day-to-day running of the public conveniences services provides a good service to the public. The Service Manager, who is currently on secondment in the role, plays a key role in ensuring that the services provided are clean and safe to use.

Income controls are good overall but could be strengthened by monitoring trends over time to identify any unusual fluctuations in income levels that may be an indicator of fraud. There are also some problems with meter readings that need to be addressed to ensure that readings are accurate to assist income reconciliations.

The service has reviewed its staffing capacity in an attempt to put the most cost-effective and efficient arrangements in place. Although there has been an increase in overtime and relief staff expenditure, this has been more than offset by a reduction in the use of agency employees, reducing staffing costs overall. Other running costs are also well-managed and have reduced over recent years.

The service needs to ensure that it has openness and transparency in its recruitment processes, particularly where relatives apply for posts. We found two cases where relatives of managers within the service were working as relief staff and there was no evidence that the managers had cleared this with senior management.

The service responds promptly and positively to customer feedback but needs to make sure that it consults relevant equalities groups and carries out Equality Impact Assessments when making key decisions on service delivery or refurbishing sites where necessary.

Sites are well maintained and regularly cleaned, including inspections for syringes etc. Other safety and security processes are good, including income collection and handling, CCTV coverage and stock controls.

# Action Plan

**Audit Review of:** Public Conveniences  
**Date:** December 2013  
**Action Plan Owner:** Head of Highways & Environment

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

Risk/ Issue No.	Risk/Issue	Action	Who	When
1 Page 88	Although overall income controls are good, there are weaknesses relating to: <ul style="list-style-type: none"> <li>monitoring of income trends to identify fluctuations;</li> <li>meter readings relating to income from the pods do not agree to actual income collected. The income is always more than the income recorded; and</li> <li>sales and reconciliations of radar keys</li> </ul>	<ul style="list-style-type: none"> <li>Set up comparison spreadsheet for year on year comparison of income to identify trends</li> </ul>	Cleaning Services & Public Toilet Manager/ Client Officer - Catering Services/ Performance Officer - Business Support	31 March 2014
		<ul style="list-style-type: none"> <li>Compare income trends against other trends (where possible) i.e. car parks and tourism figures</li> </ul>	Performance Officer - Business Support	Annually after end of financial year
		<ul style="list-style-type: none"> <li>Investigate whether this is a 'common' problem in other local authorities that charge for unmanned toilets and will investigate whether there is a solution</li> </ul>	Performance Officer - Business Support	31 March 2014
		<ul style="list-style-type: none"> <li>Create a 'stock control' sheet for RADAR keys</li> </ul>	Client Officer - Catering Services/ Performance Officer - Business Support	31 March 2014
		<ul style="list-style-type: none"> <li>Investigate alternative 'purchase' arrangements of keys by one stop shops from us</li> </ul>	Client Officer - Catering Services/ Senior Finance & Assurance Officer	31 March 2014



Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	The recruitment process for employing relatives of current employees within the service is not always transparent. Written approval has not been provided when appointing relatives to officers within the service.	<ul style="list-style-type: none"> <li>• Ensure that any family members relationship is disclosed on application form</li> <li>• Obtain written agreement from Cleaning Service Manager or Head of Service (if required)</li> </ul>	Performance Officer - Business Support	Immediate
3.	The service needs to ensure that Equality Impact Assessments are carried out where necessary where the service will provided will be affected.	EQIA will be carried out for all further service adjustments that may affect access as necessary	Performance Officer - Business Support	Immediate

This page is intentionally left blank

## Internal Audit Follow up Reviews

Audit Report	No. of Issues Followed Up	Outcome of Follow Up
Ysgol Brynhyfryd, Ruthin	3	<ul style="list-style-type: none"><li>All 3 actions have been implemented at the School</li></ul>
Settlement Agreements	3	<ul style="list-style-type: none"><li>Draft Settlement Agreement procedures out for consultation.</li><li>Strategic HR to provide a separate report to this Committee</li></ul>

This page is intentionally left blank

## Internal Audit Performance 2013/14

### *Internal Audit Performance*

<i>Essential Assurance - all targets 100%</i>
<b>Review of agreed Financial Assurance areas in Assurance Plan by 31/03/14</b>
So far, we have completed 75% of the planned projects, with the remaining project scheduled to be completed before 31 March 2014.
<b>Review of agreed Grants &amp; Certification Assurance areas in Assurance Plan by 31/03/14</b>
So far, we have completed 80% of the planned projects, with the remaining project scheduled to be completed before 31 March 2014.
<b>Review of agreed Corporate Governance Assurance areas in Assurance Plan by 31/03/14</b>
Most of these projects are scheduled for January to March 2014 to allow time for progress on the Corporate Plan. So far, we have completed 19% of the planned projects.
<b>Review of agreed High Corporate Risk Assurance areas in Assurance Plan by 31/03/14</b>
All seven projects are scheduled for completion by 31 March 2014. So far we have completed 14% of the planned projects.

<i>Customer Standards - all targets 100%</i>
<b>Contact customers at least 2 weeks in advance to arrange a suitable date for our visit</b>
Current performance is 92%. Shorter notice given to customer in one case.
<b>Send customers the agreed Project Scoping Document before we commence work</b>
Current performance is 100%
<b>Send the customer a draft report within 10 working days of the closing meeting</b>
Current performance is 100%
<b>Send the customer our final audit report within 5 working days of agreeing the draft</b>
Current performance is 100%

This page is intentionally left blank

**Report To:** Corporate Governance Committee

**Date of Meeting:** 29 January 2014

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

**Title:** Corporate Governance Framework Action Plan

---

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

This report provides the Committee with an updated action plan resulting from the review of the Council's governance framework and the Annual Governance Statement (AGS) 2012/13.

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

Corporate Governance Committee will monitor the Corporate Governance Framework Action plan on a regular basis as part of the Council's overall governance arrangements to make sure that the Council implements the necessary improvements effectively.

**3. What are the Recommendations?**

Committee considers and comments on the draft Corporate Governance Framework Action Plan and whether it needs any further information on any of the areas covered by the Action Plan.

**4. Background**

4.1 The Council's Corporate Governance Framework includes an annual assessment of the Council's governance arrangements and an Annual Governance Statement that highlights any significant governance weaknesses. The Framework also highlights further areas that, while not being significant weaknesses, still need improvement.

4.2 The Council's Governance Group manages the Corporate Governance Framework process and development of the Annual Governance Statement on an on-going basis during the financial year. This Group consists of:

- Chair of Corporate Governance Committee
- Vice-chair of Corporate Governance Committee
- Head of Legal & Democratic Services
- Head of Business Improvement & Modernisation
- Head of Finance & Assets
- Head of Internal Audit

4.3 The Governance Group has developed the Action Plan in Appendix 1, which has been updated since our last report to show progress to date and proposed timescales where possible.

This page is intentionally left blank



## Corporate Governance Framework Action Plan - January 2014

Red - No started    Amber - In progress    Green - Complete

Improvement Area from AGS	Responsibility	Timescale	Progress	RAG Status
<b>Significant Governance Issues form the Annual Governance Statement 2012/13</b>				
Strategic HR needs to implement improvements following an adverse Internal Audit report.	Head of Strategic HR	December 2013	Head of Strategic HR & Head of Internal Audit provided separate progress report to Corporate Governance Committee 4 September 2013	<b>Amber</b>
We need to improve our information governance, management of information assets and the way we train employees and elected members in Data Protection and Freedom of Information requirements.	Head of Business Improvement & Modernisation	April 2014	<ul style="list-style-type: none"> <li>Reviewed Data Protection training and rolling out</li> <li>Developed Information Risk Policy, ready to launch</li> <li>Progressing roll out of EDRMS Corporate Filing programme</li> <li>Information Strategy presented to Corporate Governance Committee</li> </ul>	<b>Green</b>
<b>Governance 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</b>				
We still have work to do to develop how we will deliver some of our corporate priorities	Head of Business Improvement & Modernisation	n/a	<ul style="list-style-type: none"> <li>Progressed as far as possible. Priorities expanded upon, with proposed outcomes, actions etc. Progress being monitored in performance reports.</li> <li>Economic Ambition Strategy developed and agreed</li> </ul>	<b>Green</b>
We need to improve co-ordination of the various self-assessments that we carry out.	Head of Business Improvement & Modernisation	31/01/14	Head of Internal Audit services developing a new approach for the 2013/14 self-assessment and Annual Governance Statement.	<b>Amber</b>
Within our financial planning, we need to develop a more strategic approach to the efficiency programme for the difficult years ahead.	Head of Finance & Assets	n/a	<ul style="list-style-type: none"> <li>New approach being developed – presented to SLT and at an elected members' workshop</li> <li>Due to pilot with two services in February 2014</li> </ul>	<b>Green</b>
Heads of Service are developing new service standards to improve customer service further.	Head of Customers & Education Support	31/03/14	<ul style="list-style-type: none"> <li>All services have standards in place where they are relevant</li> <li>Will be subject to Internal Audit review during 2013/14</li> </ul>	<b>Amber</b>

Improvement Area from AGS	Responsibility	Timescale	Progress	RAG Status
We still have work to do to improve how we manage customer complaints.	Head of Customers & Education Support	n/a	<ul style="list-style-type: none"> <li>The policy has been revised and re-launched with officers, elected members and the public</li> <li>Procedures are in place to record and monitor complaints in all services and further work has to be done to analyse and use the information to review service delivery</li> <li>Will be subject to Internal Audit review during 2013/14</li> </ul>	Green
The configuration of Denbighshire's strategic partnerships is not yet right and requires further work.	Head of Business Improvement & Modernisation	n/a	We have now discontinued CYPP and HSCWB partnerships and the main groups reporting to them. Instead we have a Single Strategic Partnership Board supporting the LSB. No further rationalisation is planned.	Green
We need to re-launch our partnership framework to make sure that everyone is aware of it and uses it.	Head of Business Improvement & Modernisation	n/a	Partnership framework launched on Intranet and issued to SLT to cascade. No further action planned.	Green
We are improving our procurement strategy, systems and processes to achieve more financial savings.	Head of Finance & Assets	31//03/14	<ul style="list-style-type: none"> <li>Re-writing procurement strategy</li> <li>Members of National Procurement Service and Welsh Purchasing Consortium</li> <li>Developing e-sourcing and e-invoicing.</li> <li>Draft Contract Procedure rules at consultation stage</li> <li>Developing four counties procurement project and category management project</li> </ul>	Amber
We are strengthening the service performance challenge process for 2013.	n/a	n/a	New process now in place and service challenges commenced. No further action planned.	Green
We will continue our work to fully embed programme and project management into our culture.	Head of Business Improvement & Modernisation	n/a	This is an on-going process but is now well established, with several officers trained in project management, use of Verto to record projects and regular reporting to CET. No further action planned.	Green

Improvement Area from AGS	Responsibility	Timescale	Progress	RAG Status
<b>Governance Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>				
We are developing a performance management framework for elected members.	Cabinet Lead Member for Modernising & Performance	31/03/14	<ul style="list-style-type: none"> <li>There is an annual report from Scrutiny to Full Council on the performance of Scrutiny.</li> <li>Work is on-going in respect of the framework for reporting on the activities of members in other forums.</li> </ul>	Amber
While we now have a partnership framework, we need to make sure that all current partnerships meet its requirements.	Head of Business Improvement & Modernisation	n/a	This will be covered during Internal Audit work on partnerships on a regular basis.	Amber
We need to review the role of the S151 Officer to ensure that it meets recommended standards and good practice.	Head of Internal Audit Services	March 2014	Internal Audit review in progress to measure S151 role against CIPFA guidance.	Amber
<b>Governance Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b>				
We need to update our anti-fraud and corruption policy.	Head of Legal & Democratic Services	January 2014	The policy remains to be reviewed. An updated policy will be presented to Corporate Governance Committee in January 2014	Amber
We are updating our Financial Regulations.	Head of Finance & Assets	31/03/14	Draft version being reviewed with Chief Accountant.	Amber
We are undertaking a self-assessment to ensure that the Corporate Governance Committee operates effectively as an audit committee.	Head of Internal Audit Services	31/01/14	Assessment postponed from July 2013 to September 2013 Committee meeting. Training session being delivered on 28 January 2014	Amber
<b>Governance Principle 4 - Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk</b>				
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.	Head of Legal & Democratic Services	March 2014	<ul style="list-style-type: none"> <li>The results of the WAO review of Scrutiny will be fed back at an event in Cardiff on 28 November.</li> <li>The Constitution Review Group will meet to discuss the findings of the review and any changes required to assist public engagement.</li> </ul>	Amber

Improvement Area from AGS	Responsibility	Timescale	Progress	RAG Status
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.	Head of Business Improvement & Modernisation	n/a	All improvements in risk management now implemented. CET decided not to take forward any further work on risk appetite. No further work planned.	Green
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.	Head of Internal Audit Services	March 2014	<ul style="list-style-type: none"> <li>Internal Audit Charter updated and approved by Corporate Governance Committee but now needs to be revised following move to Business Improvement &amp; Modernisation.</li> <li>Self-assessment planned to be completed before end of financial year.</li> </ul>	Amber
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.	Head of Business Improvement & Modernisation	n/a	Research and development team now in place and working effectively. No further action planned.	Green
We are updating our Whistleblowing policy.	Head of Legal & Democratic Services	December 2013	The revised draft Policy has been the subject of consultation with trade unions and will be placed before Council in December 2013 for approval.	Amber
<b>Governance Principle 5 - Developing the capacity and capability of members and officers to be effective</b>				
We need to do more to improve the flexibility of our workforce to enable us to use them in the areas of greatest need.	Head of Strategic HR	n/a	<ul style="list-style-type: none"> <li>After some initial research, the Modernisation Board decided that this was no longer viable, and the project to introduce job families and look at peaks and troughs in demand was stopped.</li> <li>Employees who find themselves at risk of redundancy are redeployed where possible.</li> </ul>	n/a
We are developing a new training programme for elected members based on a needs assessment.	Cabinet Lead Member for Modernising & Performance	January 2014	<ul style="list-style-type: none"> <li>Members have held a workshop to discuss training needs and a survey of members' requirements has been conducted.</li> <li>The results of this process will be analysed and a training programme produced to reflect members' needs.</li> <li>Report to Cabinet Briefing in January 2014 and being progressed through Scrutiny</li> </ul>	Amber

Improvement Area from AGS	Responsibility	Timescale	Progress	RAG Status
There is still work to do to ensure that officer performance appraisals are completed at least once a year.	Head of Strategic HR	March 2014	<ul style="list-style-type: none"> <li>Improvements have been made to the performance appraisal system to improve functionality and reporting accuracy.</li> <li>The completion rates of performance appraisals now forms part of the quality assurance provided to the Service Challenge panel for each service.</li> </ul>	Amber
<b>Governance Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability</b>				
We need to make sure that our employees are fully aware of the requirements of equalities legislation.	Head of Business Improvement & Modernisation	31/03/14	<ul style="list-style-type: none"> <li>Respect Booklet launched.</li> <li>Will be subject to Internal Audit review in January 2014.</li> </ul>	Amber
The Consultation & Engagement Strategy needs to become embedded in our service delivery.	Head of Business Improvement & Modernisation	n/a	Work on this is continuing and is being supported through the roll out of The Denbighshire Way and the LSB engagement strategy.	Green
We will roll out the Denbighshire Volunteering Strategy.	Head of Strategic HR	To be agreed	Funding has been secured for 12 months to roll out the strategy. Recruited officer into post to implement the strategy.	Amber
We need to further improve the way we engage with business groups.	Head of Business Improvement & Modernisation	n/a	Work is progressing through the Economic Ambition Strategy. No further action planned.	Green

This page is intentionally left blank

**Report To:** Corporate Governance Committee

**Date of Meeting:** 29<sup>th</sup> January, 2014

**Lead Member / Officer:** Director of Modernisation and Wellbeing

**Report Author:** Director of Modernisation and Wellbeing

**Title:** People Strategy 2011/14- closure report

---

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

The report sets out progress in delivering against the People Strategy, identifies outstanding issues and recommends next steps.

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

The People Strategy has been the mechanism for ensuring that the corporate priorities of the council are underpinned by appropriate HR and organisational development work. Progress against the Strategy is being reported to the Corporate Governance Committee to complement the monitoring role it has played with the HR Improvement Plan.

## **3. What are the Recommendations?**

That the Corporate Governance Committee

3.1 notes the progress made and the arrangements to ensure there is continued attention to the outstanding areas set out in paragraph 4.6

3.2 notes that scoping work is being undertaken setting out the strategic HR challenges arising for the council in the period 2014/17

## **4 Report details**

4.1 The People Strategy was developed in 2011 to set out the HR related work that was needed to ensure effective delivery of corporate priorities. Priorities for the People Strategy were agreed by the Senior Leadership Team, working with colleagues in HR.

4.2 The original strategy is attached at Appendix 1. Agreed key themes were:

- 1 Attraction and Retention of Skills and Talent – Ensuring we have the best people for the role
- 2 Workforce Development – Ensuring we develop people appropriately to deliver business objectives
- 3 Employee Engagement – unlocking people’s potential at work

- 4 Managing Change
- 5 Healthy Workforce

4.3 A detailed action plan was developed to enable delivery of the People Strategy. The Year 3 Action Plan, together with updated progress statement, is attached at Appendix 2.

4.4 While the key themes have remained the same, the action plan has evolved over time to take account of significant changes. These have included

- The new incoming council in 2012 with agreement of new corporate priorities and the Corporate Plan
- The reduced emphasis on collaborative working
- Capacity issues arising from the need to pay urgent attention to day to day operations within HR- which led to the development of the HR Improvement Plan
- The Senior Leadership Team view that the action plan needed to be shorter and more focused

4.5 Delivery of the Strategy has been the responsibility both of senior managers within services and staff in HR. The model used has been that of Programme Sponsorship by a Corporate Director and project sponsorship of the 5 themes by nominated Heads of Service. Partnership in this way between services and corporate support functions is essential to ensure ownership. The model has been moderately successful though Heads of Service have found it difficult to find the capacity to drive the themes they are responsible for.

4.6 Most key activities have been delivered. However, appraisal of progress against the objectives set indicates some issues which will need continued attention in taking strategic HR work forward. These are

- Clear evaluation arrangements for the quality and impact of strategic HR work and programmes. *Specific examples include the need for evaluation of the effectiveness of current systems of HR support, including HR guidance on the Intranet and the Corporate Training Plan. This work will be picked up as part of the HR Business Plan.*
- The length of time it takes to agree new policies and working practices and to ensure they are embedded. *Examples include compliance with the References policy and will include the new Attendance Policy and policies/guidelines supporting mobile working. There are general issues here for the HR Business Plan. In addition, SLT will continue to ensure effective delivery of the new Attendance Policy when agreed, and the Modernisation Board will maintain oversight of policies/guidance relating to flexible working and effective implementation.*
- Effective systems for sharing lessons learned and applying to new areas of work. *The main example is our efforts to promote effective change management. Given the extent of change arising from efficiencies, and the potential implications of the Williams review, making the effective delivery of change more consistent will continue to be a significant focus for SLT.*



4.7 It's clear that the council will need to have a clear analysis of the strategic agenda for HR over the next period and work is being done to scope this. Clearly, the outcome of the Williams review could have a major impact. It is less clear how the governance of this work should be managed to best effect. It seems sensible to pause and reflect before deciding this. A pause will enable the completion of work on the HR Improvement Plan and the internal audit work on this planned for April 2014, the completion of key activities within the People Strategy as well as some clarification of the position on LGR. This will not hold up key areas of outstanding work flagged in 4.6 nor the completion of service based workforce plans which are developed annually.

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

The People Strategy was explicitly developed to set out the HR agenda arising from agreed corporate priorities.

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

The closure of the People Strategy does not have specific resource consequences. All activity has been undertaken within existing resources and this will continue to be the case both for actions that have not yet been completed and any new actions arising from the current forward scoping exercise.

## **7 What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.**

N/A

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

Project sponsors and the OD Manager have been involved in compiling this report and the Lead Member has also had the opportunity to comment. The report was considered by CET on 13<sup>th</sup> January, 2014 and it was on their recommendation that the progress report is submitted to the Corporate Governance Committee.

## **9 Chief Finance Officer Statement**

N/A

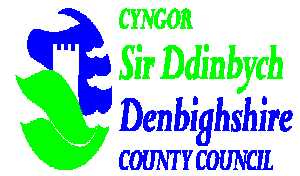
## **10 What risks are there and is there anything we can do to reduce them?**

A number of HR related risks are identified in the Corporate Risk Register and actions in the People Strategy explicitly help to mitigate these. They include

DCC004 "The risk that the HR framework doesn't support the organisation's aims. The policies and procedures we have in place need to reflect current organisational strategy (eg flexible working) and HR need to offer support to those functions where the organisation requires it eg restructures."

DCC 001- having effective safe employment systems in place helps to mitigate the  
DCC018 Effective Change Management is essential for delivery of the modernisation  
programme

## **11 Power to make the Decision**



# People Strategy

2011 - 2014



# People Strategy

## 1. INTRODUCTION

We value our employees. Without them, we could not deliver the services needed by our communities. Our People Strategy has been developed to highlight how important our employees are and it identifies five themes to show how we will support them across the organisation.

The Council recognises that there is a two-way commitment and looks to all employees to buy in to the People Strategy and support the vision and values of becoming a high performing council that others aspire to match, being ready to face the challenges of the future.

This strategy supports the Corporate Improvement Plan which sets out the Council's overall aims and priorities and provides a clear framework for improvement.

The Council's vision for Denbighshire County Council is:

**Denbighshire in 2025 will be the ideal place to visit, live, work, conduct business and pursue a wide range of activities.**

**The population will be more balanced, retaining and attracting more young people who, with the support, skills and experience of our older population, will help to sustain our communities and grow our economy.**

The delivery of this is underpinned by a set of corporate values

- **Unity**

We all work for the same organisation. We as Councillors and staff should aim to reflect this in the way we behave and serve our communities

- **Pride**

We aim to create a sense of pride in working for our organisation. We should take pride in the work we do and what we achieve as an organisation.

- **Respect**

We aim to treat all people equally and with fairness, understanding that there are views and beliefs that differ from our own.

- **Integrity**

As councillors and staff we aim to manage ourselves to maximise performance, act with high standard of conduct and present a positive image for Denbighshire.

The challenges currently facing local government are considerable. This Strategy will support the review to service provision which is a key requirement of the Collaboration Agenda together with the medium term financial efficiency plan to achieve budget reductions of £20m over the next four years without having detrimental impact on direct services to the public and limiting the impact on our workforce.

The People Strategy supports the five Improvement Objectives

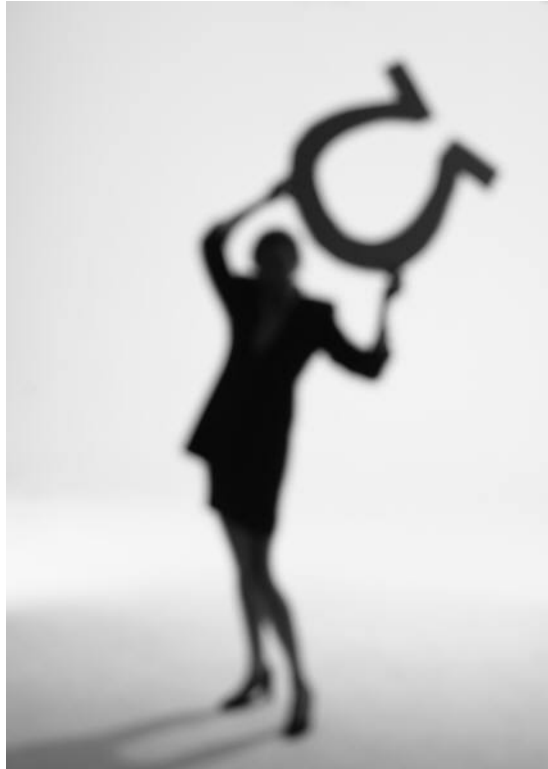
<b>Corporate Priority</b>	<b>Improvement Objective</b>
Demographic Change	Adapting service delivery to address demographic changes
Regenerating our communities	Reducing deprivation and growing Denbighshire's economy sustainably by strategically targeting resources
Modernising Education	Modernising the education service to achieve a high level of performance across the county
Roads and Flood Defences	Securing a sustainable road network and flood defences
Improvement Themes	Improving the way the council works

The aims of the People Strategy is to ensure people employed directly or in partnership are:

- the best people for their role
- developed appropriately to meet business objectives
- involved, engaged, empowered, and recognised in supporting council priorities
- confident to deal with change and collaboration
- confident that they are operating in a safe and healthy environment

The People plan will outline how we will deliver these aims, through development of the organisation, through encouraging performance management, adopting flexible working practices and creating structures and partnerships, which enable us to continuously improve the services we provide to our customers.

# People Strategy - Themes



## 1 Attraction and Retention of Skills and Talent - Ensuring we have the best people for the role

Devise and implement recruitment and retention strategies, which will assist the Council to attract and retain the workforce it needs to deliver its corporate and service plans.

### **Aims**

- Be effective in recruiting and retaining high calibre employees
- Offer an attractive employment package which supports recruitment and retention and values employee contribution
- Identify and develop people with potential, providing opportunities for career development as appropriate.

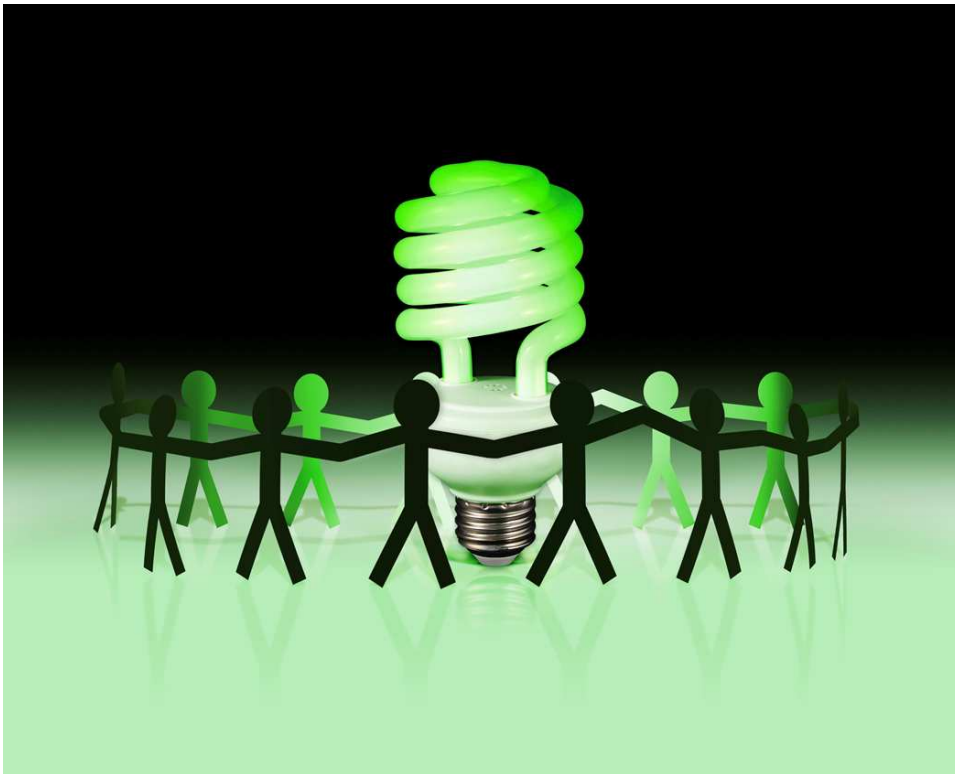


## 2 Workforce Development - Ensuring we develop people appropriately to deliver business objectives

To develop the skills and capacity of the workforce, so the Council possesses the right skills to deliver corporate and service plans and so that performance is increased and savings achieved through improved business processes

### Aims

- Develop the skills of our workforce to meet current and future needs
- Develop Leaders and Managers who are confident and competent to be accountable for their service area, through effective management of performance.
- To ensure leadership development supports the economic and political climate



### 3 Employee Engagement - unlocking people's potential at work

Promoting a culture of engagement and recognition, gaining commitment, energy and desire to do a good job.

#### Aims

- Develop a culture of engagement and recognition through improved communication, consultation and involvement
- Empowered to make decisions at the most effective point possible to the service user
- Build organisational confidence by celebrating success





## 4 Managing Change

Having a resilient, flexible adaptable workforce, open to change & improving ways of working

### Aims

- Develop organisational confidence to deal with change so that managers are confident and competent in being able to lead and manage change effectively
- Promote a culture of flexibility where employees and teams understand and participate in organisation change
- Consistently manage change effectively
- Empower more innovative and creating solutions to service delivery



## 5. Healthy Workforce

Creating a safe and healthy working environment.

### Aims

- Develop a culture of wellbeing & resilience
- To provide work life balance initiatives to create a flexible and motivated workforce.

## **Delivering, Monitoring and Evaluating the Strategy**

The key themes and objectives of the People Strategy have been developed into an action plan which will be delivered through the Progress Through People Workstreams.

The action plan will support each of the key themes within the strategy and will link into the HR Business Plan which will be reviewed on a quarterly basis through our Corporate Performance Management.

In measuring our performance against the People Strategy, we will use a combination of Statutory and local indicators.

Progress on the delivery of the action plan will be through regular Workstream Reports to the Business Transformation Board from the Progress through People work group and monitoring by the Senior Leadership Team on a 6 monthly basis.

The People Strategy will be formally reviewed on an annual basis in line with the Business Planning timetable. The Strategy, together with its action plans will be “living” documents which will be adapted and developed alongside the Council’s Improvement Plan.

This page is intentionally left blank

## YEAR 3 - PEOPLE STRATEGY ACTION PLAN – 2013/2014- Progress at December 2013

1 Attraction and Retention of Skills and Talent- Ensuring we have the best people for the role PROJECT SPONSOR: GRAHAM BOASE					
AIMS	ACTIONS	SUPPORTED BY	Progress at December13	START DATE	END DATE
<ul style="list-style-type: none"> <li>◆ Be effective in recruiting and retaining high calibre employees</li> <li>◆ Offer an attractive employment package which supports recruitment and retention and values employee contribution.</li> <li>◆ Identify and develop people with potential</li> <li>◆ Provide opportunities to develop</li> </ul>	<p>1. Launch of Recruitment and Selection Policy</p> <ul style="list-style-type: none"> <li>◆ Reformatting of policy for intranet access</li> <li>◆ Power hours on recruitment and selection</li> <li>◆ Communication Plan</li> </ul>	A Mallam	<ul style="list-style-type: none"> <li>◆ Policy formatted for intranet access</li> <li>◆ Power hours provided</li> <li>◆ Implementation strategy agreed with individual services and rollout tailored to their needs</li> <li>◆ Unclear how thoroughly embedded the new policy and arrangements are but more assessment centres being held, more evidence of selection to meet required skills, of coaching to meet developmental needs identified at selection (and of unsuccessful candidates)</li> </ul>	◆ May 2013	◆ July 2013
	<p>2. Development of Safeguarding Policy</p> <ul style="list-style-type: none"> <li>◆ Reformatting of policy for intranet access</li> <li>◆ Factsheet on assessing the requirements against the agreed criteria.</li> <li>◆ Include new DBS arrangements</li> <li>◆ Power hours to brief managers who are responsible for safeguarding about how to assess the roles</li> <li>◆ Communication Plan</li> </ul>	A Mallam E Safhill	<ul style="list-style-type: none"> <li>◆ Policy going to LJCC in February 14 and formatted for intranet access</li> <li>◆ Factsheet created, including DBS arrangements</li> <li>◆ Heads of Service have been given reports identifying roles previously requiring CRB/DBS, info on the criteria now in force, and HR support to implement new arrangements</li> </ul>	◆ April 13 ◆ May 13 ◆ June 13	◆Sept 13 ◆June 13 ◆Sep 13

<p>careers</p>	<p><b>3.</b> Delivery of HR Safeguarding Action Plan</p> <ul style="list-style-type: none"> <li>◆ New starter check lists and exception reporting to ensure that CRB checks and references are received prior to commencement.</li> <li>◆ Develop and agree reports to be run on a quarterly basis</li> <li>◆ Use of UDF by Schools to monitor their own</li> </ul>	<p>E Safhill R Marsh</p>	<ul style="list-style-type: none"> <li>◆ Procedures are in place and reports are being run</li> <li>◆ Reports indicate that compliance rates for ensuring DBS checks are in place and recorded on Trent is generally good</li> <li>◆ Compliance rates with ensuring references were taken up in a timely way and recorded on Trent still needed improvement- November 2013</li> <li>◆ Revised flowcharts, clearly defining roles and responsibilities, have been developed for use in the council and school settings</li> <li>◆ Compliance rates need regular monitoring to ensure these measures have resolved the problem</li> </ul>	<p>◆April 13</p>	<p>◆July 13</p>
----------------	---	------------------------------	---	------------------	-----------------

2	<p align="center"><b>Workforce development- ensuring we develop people appropriately to deliver business objectives</b></p> <p align="center"><b>PROJECT SPONSOR: PHIL GILROY</b></p>				
AIMS	ACTIONS	SUPPORTED BY	PROGRESS AT 12/13	START DATE	END DATE

<ul style="list-style-type: none"> <li>◆ Develop the skills and capacity of our workforce to meet current and future needs</li> <li>◆ Develop Leaders and Managers who are confident and competent to be accountable for their service area, through effective management of performance.</li> <li>◆ To ensure leadership development supports the economic and political climate</li> </ul>	<ol style="list-style-type: none"> <li>1. Prioritise corporate training plan, power hours, management training linked to embedding processes associated with HR Improvement project, customer focus training and change management support.</li> <li>2. Develop dynamic opportunities to share learning and lessons learned promoting best practise.</li> <li>3. Capture learning activity and current learning through videos, u-tube, pod cast, and use of intranet and e-learning</li> <li>4. Progress the Workforce Information Processes and Systems project so that managers and HR are able to make appropriate workforce</li> </ol>	<p>SLT Middle Managers</p> <p>G Humphreys J Rees</p>	<p>Corporate training plan has prioritised leadership and management training, power hours, customer services, coaching and training linked to change management. Some of this has been developed and delivered as "courses" (eg ILM, "Manage the people; manage the change"), some is bespoke. We do not currently have information about the numbers of people who have benefitted from this training, or information about post training impact (eg greater use of HR Intranet pages, or managers' assessment of improved skills). Also see 2.8 below.</p> <p>Business partners are beginning to pick up management and other training needs/gaps.</p> <p>A number of approaches have been tried eg Action Learning Sets/Practice Learning Communities- but these have met with limited success, mainly due to difficulties involved in releasing people to take part. Video clips also experimented with. Informal links is the current method of sharing learning and this could potentially be developed at other management levels eg MMC. Management mentors/"learning lessons" sessions (including linked to full use of project management materials) are further possibilities</p> <p>There has been a hold-up with purchasing learning pool- but this is in the process of resolution- with initial priorities for use being Equalities, Fol and DP. Has potential for use in other areas. Networking being established with Wrexham and Gwynedd who also have learning pool and should enable us to access other products/modules</p> <p>All data cleansing has been completed. A Working Group has identified the information reports required by services and the creation of these</p>	<p>Sept 2013</p>	<p>April 2014</p>
--	---	--	--	------------------	-------------------



	<p>decisions and identify hot spots through dashboard reporting from accurate information.</p> <p>5. Implement the HR Quality Assurance Framework and monitor via the Service Challenge Process.</p> <p>i) Include Peer Review of Appraisals undertaken.</p> <p>ii) Arrange to meet with managers and draw up action plan and criteria.</p> <p>iii) Provide Corporate QA report for SLT and CET to inform future Business Planning and share with workforce (link with Staff Survey)</p> <p>6 Delivery of service priorities identified in 2013/14 Workforce Plan.</p> <p>7. Produce Workforce Plan for 2014/5 incorporating Corporate Training Plan from Appraisal</p>	<p>P McGrady Kerry Evans R Marsh</p> <p>Janet Oliver</p> <p>SLT G Humphr</p>	<p>reports is underway, to be incorporated in the HR dashboard.</p> <p>The proposed information dashboard will give HoS information about key HR issues in their service eg the number of ER cases, disciplinary, grievance, performance appraisals and quality- which can then enable detailed discussion with BPs. However, these arrangements do not enable quality assurance of the HR service itself to be assessed though IA will be undertaking a comprehensive audit against the HR improvement plan in April, which will include compliance against Standard Operating Procedures. Business Partners are individually seeking feedback on their interventions and the effectiveness of them.</p> <p>In process. 10% dip sampling being undertaken as peer exercise HoS to HoS. Intended that this information be included in Service challenge papers but not included hitherto as not considered sufficiently robust.</p> <p>Needs to be picked up with SLT/CET April 14</p> <p>Ongoing with BPs</p> <p>OD Manager and BPs meeting to identify themes for 14/15 and looking to compare BP resource utilisation against predictions.</p>	<p>January 2013</p> <p>June 2013</p> <p>April 13</p> <p>Oct 2013</p>	<p>June 2015</p> <p>April 2014</p> <p>March 14</p> <p>Feb 2014</p>
--	---	--	---	--	--

	8. Evaluation of Corporate Training Plan	eys BP's  SLT G Humphr eys BPs	Technically not due til next year. Proposed methods have been pre and post training evaluation- but take-up has been low, so this needs to be picked up now or we will not have useful information about what/did not work and the impact training has had	April 2014	June 2014
--	--	---	--	------------	-----------

**3. Employee engagement- promoting a culture of engagement and recognition**  
**PROJECT SPONSOR: STEVE PARKER**

AIMS	ACTIONS	SUPPORTED BY	PROGRESS AT 12/13	START DATE	END DATE
<p>◆ Develop a culture of engagement and recognition through improved communication, consultation and involvement</p> <p>Empowered to make decisions at the most effective point possible to the service user</p> <p>◆ Build organisational confidence by celebrating success</p>	<ol style="list-style-type: none"> <li>Plan and Communicate the results of the Staff Survey undertaken in February 2013.</li> <li>Agree methodology for Staff Survey Action Plans and workshops. Ensure QA Report forms part of this. See 2.5.iii above.</li> <li>Implement the HR Improvement Plan and evaluate Standard Operating Procedures</li> </ol>	<p>SLT</p> <p>SLT</p> <p>SLT C Roberts</p>	<p>Communication undertaken and action planning taken forward, though agreed this would not be to a set format as was required previously. Responses to staff survey results are being picked up in Service Challenges. Where there are gaps in information, the Project Sponsor has undertaken to check that HoS are responding appropriately to findings (December 2013)</p> <p>Implementation nearing completion, with IA audit planned for April. Completion date may need to be adjusted to take into account recent automations. Next planned priority is the improvement of customer service, especially with the HRA group.</p>	<p>June 2013</p> <p>May 2013</p> <p>April 2013</p>	<p>July 2013</p> <p>Dec 2013</p> <p>Dec 2013</p>

Page 128



## 4. Managing Change- having a resilient, flexible, adaptable workforce, open to change and improved ways of working

**PROJECT SPONSOR: JACKIE WALLEY**

AIMS	ACTIONS	SUPPORT ED BY	PROGRESS 12/13	START DATE	END DATE
<p>◆ Develop organisational confidence to deal with change so that managers are confident and competent in being able to lead and manage change effectively</p>	<p>1. Promote the use of the Change Management toolkit developed in Y2</p> <p>2. Embed the suite of information and factsheets for managing team restructures developed in Y2 to support effective change</p>	<p>SLT BP's</p>	<p>Toolkit is being updated, taking into account feedback from SLT, Trades Unions etc. On Intranet pre Christmas. All Business partners have been trained in use of the tools</p> <p>As above. Some factsheets already on the Intranet but currently rather disjointed so further work to be done</p> <p>Currently unclear how much the information is used. Some evidence that material needs introduction 1/1 and may then be accessed, but no feedback on factsheets received yet.</p>	<p>May 2013</p>	<p>April 2014</p>
<p>◆ Promote a culture of flexibility where employees and teams understand and participate in organisation change</p>	<p>3. Create a mechanism for knowledge exchange and learning from recent change projects.</p> <p>4. Support effective change through continued development of a. Fact Sheets</p>	<p>SLT G Humphreys</p> <p>SLT G Humphreys</p>	<p>As previous note in "Change Management" section. What currently works is informal sharing and we need to consider how to build on this eg at MMC</p> <p>"Manage the People; manage the change" programme developed. "Remote management" power hours developed and delivered Bespoke culture change workshops</p>	<p>Autumn 2013</p>	<p>Dec 2013</p>



	<p>ix. Lone Working Policy</p> <p>6. Scope out and introduce Job Families for delivery through the Modernising Programme</p>		<p>Modernisation Board decided not to progress as a corporate project- could not identify clear scope despite several attempts. However, development of generic job descriptions in a number of services has enabled a widening of staff experience and provided greater resilience (eg Customer Services and Education, Highways/Environment/ CML). May be worth reconsidering "job families" and how the successful implementation of generic job descriptions could be learnt from and applied more widely</p>		
--	--	--	---	--	--

## 5. Healthy Workforce – Creating a safe and healthy working environment

**PROJECT SPONSOR : JAMIE GROVES**

AIMS	ACTIONS	SUPPORTED BY	PROGRESS 12/13	START DATE	END DATE
<ul style="list-style-type: none"> <li>◆ Develop a culture of wellbeing &amp; resilience</li> <li>◆ To provide work life balance initiatives to create a flexible and motivated workforce.</li> <li>◆ Continue to reduce incidents of absence</li> </ul> <p style="text-align: center; font-size: 2em;">Page 128</p>	<p>7. Progress the Absence Management project.</p> <ul style="list-style-type: none"> <li>a. Develop and implement new Absence Management Policy</li> <li>b. Support managers to utilise the new Absence Management Dashboard</li> <li>c. Continue to hold workshops to gain greater understanding of causes of stress</li> <li>d. Develop power hours and dynamic training solutions to embed new Absence Policy.</li> <li>e. Evaluate the effectiveness of the new absence management interventions and utilisation of tools.</li> </ul>	<p>J Groves L Rees J Worrall R Marsh</p> <p style="text-align: center;">SLT J Worrall</p>	<p>New Attendance Policy and procedures to be finalised pre Christmas for ratification by Corporate Joint Committee and Council January/February 2014. Guidance sheets to be developed post Christmas</p> <p>Substantial preparatory work undertaken with unions and members. Also with schools.</p> <p>Meeting with HoS January to March 2014 to agree savings linked to revised policies. Outstanding work to ensure OH service is aligned with new policy</p>	<p style="text-align: center;">Sept 12</p> <p style="text-align: center;">April 2014</p>	<p style="text-align: center;">Page   12 Sept 13</p> <p style="text-align: center;">May 2014</p>



## Corporate Governance Committee Forward Work Programme

26 March 14		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
		<b>Reports</b>		
Page 129	5	Internal Audit Assurance Plan 2014/15	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	6	Procurement of Construction Services - Update	Head of Internal Audit Services, Ivan Butler	
	7	Member Representation on Outside Bodies - Update	Head of Legal & Democratic Services, Gary Williams / Cllr Barbara Smith	
21 May 2014		<b>Standing Items</b>		
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans	
	2	Recent External Regulatory Reports Received	Corporate Improvement, Alan Smith / Craig Berry Cllr Barbara Smith	
	3	Internal Audit Progress Report	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	

## Corporate Governance Committee Forward Work Programme

	4	Feedback on Corporate Equality Meeting – verbal report	Councillor Martyn Holland / Cllr Hugh Evans	
		<b>Reports</b>		
	5	Corporate Governance Framework Action Plan	Head of Internal Audit Services, Ivan Butler / Cllr Julian Thompson-Hill	
	6	Internal Audit Annual Report 2013/14		
	7	Strategic Human Resources Internal Audit Report - Update		

Page 130

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.

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank