

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 17 December 2014 at 9.30 am.

### **PRESENT**

Councillors Stuart Davies, Gwyneth Kensler and Jason McLellan (Chair) and Mr Paul Whitham (Lay Member).

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

### **ALSO PRESENT**

Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Head of Children and Family Services (LR), Head of Revenues and Benefits (RU), Chief Accountant (RW), Service Manager - Looked After Children (RM), Wales Audit Office Representatives (GB and AV) and Committee Administrator (CIW).

### **1 APOLOGIES**

Apologies for absence were received from Councillors Joan Butterfield and Martyn Holland.

### **2 DECLARATION OF INTERESTS**

Agenda Item 5: Budget Process 2016/16 – A personal interest was declared by Councillor S.A. Davies. The reason for the declaration was that the respective Councillor's wife was a member of staff with Denbighshire County Council.

Agenda Item 11: Forward Work Programme – A personal interest was declared by Councillor G.M. Kensler and Mr P. Whitham (Lay Member). The reason for the declarations was that the respective Councillor and Lay Member were recipients of a Local Government Pension.

### **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 the 5<sup>th</sup> November, 2014.

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

### **5 BUDGET PROCESS 2015/16**

A report, and confidential Appendix, by the Head of Finance and Assets (HFA), which provided an update on the process to deliver the revenue budget for 2015/16, had been circulated previously.

Councillor J. Thompson-Hill explained that the budget process had moved to the end of the second phase. Appendix 1 provided an illustration of the budget process for reference, and a table of key events had been included in the report.

The Council's budget strategy had previously identified a budget gap of up to £18m over two years. This had been driven primarily by indications that the Council's funding settlement would be cut by 4.5%. The Provisional Local Government Settlement indicated that the cash reduction would be 3.7%, which equated to £5.3m. With cost pressures the Council had to fund such as pay, pensions and energy increases, the budget gap for 2015/16 was now approximately £8.3m and estimated to be approximately £8.8m in 2016/17 - £17.1m in total.

An analysis of the movements in assumptions between September and the end of November had been included as Appendix 2. It outlined the impact of changes as a result of the Provisional Settlement, including the impact of grants transferring in and out of the Settlement and showed the movement in cost pressure assumptions over the period. Assumptions would change regularly and this was illustrated by the movement over the last three months which included assumptions for pension strain costs, fire service levy and pay award costs changing. Appendix 3 provided tables extracted from the Provisional Settlement to highlight the following:-

- Table 1 detailed the adjusted base with a 3.7% reduction.
- Table 2 indicated how the base was adjusted by transfers in and out of the Settlement.
- Table 3 outlined further transfers included in the Settlement but not specifically funded.
- Table 4 provided a list of grants between 2014/15 and 2015/16.

Table 4 highlighted the issue regarding the Intermediate Care Fund (ICF) and the Regional Collaboration Fund (RCF). The RCF had been established in 2013/14 as a 3-year grant to fund regional collaboration projects and totalled £10m across Wales. In 2014/15, around half had been diverted as part of a £50m fund (ICF) to promote better integration between health and social care. The Provisional Settlement showed the ICF ending, but included approximately £5m of previous RCF money which funded a number of projects which had another year to run.

The Final Local Government Settlement for 2015/16 had been published in early December. The second phase of the budget process would conclude with proposals being taken to Council in December. The proposals totalled £3.6m in 2015/16 and £1.8m in 2016/17, and with the proposals approved by Council in September, resulted in proposals totalling £7.3m in 2015/16 and £2.7m in 2016/17.

Phase 3 of the budget process would consider final proposals to balance the 2015/16 budget, including options for Council Tax and any use of reserves. These issues had been discussed at the Member Workshop on the 12<sup>th</sup> December before the final approval of the budget in February. Phase 3 of the process would also continue to develop savings options for 2016/17. The report to Council on the 9<sup>th</sup> December had highlighted the significant consultation process and full details had been summarised in the report. The Chair referred to issues raised regarding information pertaining to the Freedoms and Flexibilities process, and the response received that Members might ask further questions which could be examined in the Budget Workshops.

Mr P. Whitham explained that it had been stated previously that finance was the most important risk facing the Council, and he felt that for the Budget Process there were three key specific sub-risks about which Corporate Governance Committee should now be seeking assurances, namely:-

- risks of weakening or removal of controls as resources were reduced, leading possibly to increased Governance risks;
- in the event of redundancies, the risks of a failure to realise cashable savings in 2016/17 as a result of decisions not being made now;
- innovation risks such as risks to out- and in-sourcing, if upfront contract terms and conditions, initial aspects of contract management were not controlled or managed properly.

It was suggested by Mr Whitham that the three specific risks, and assurances about them, could be referred to in the next Budget Process report to the Committee. The Chair explained that the areas identified had been referred to in the Governance improvement Action Plan. The CA referred to the overall Council risk profile and the high visibility of the process adopted with each stage being scrutinised and reviewed. It was confirmed that it would be the intention to identify the majority of 2016/17 savings by the early part of the 2015/16 financial year.

The HLHRDS explained that the Chief Executive wanted the adoption of a strategic approach to monitor the overall implementation of cuts and savings. A programme approach utilising Verto would be adopted to enable the progress of each individual proposal to be tracked. There would be an overview of how the Council communicates with the public, with risks being actively managed, and HR were currently producing a map of proposals which involved staffing issues.

The HIA confirmed that work on managing the Council's relationship with outside bodies was being undertaken, and the CA explained that CET had requested that a review be undertaken following the finalisation of the budget.

In reply to concerns raised by Councillor G.M. Kensler regarding any financial impact on the Council arising from Local Government Reform (LGR) the Chair explained that at present Denbighshire had only submitted an Expression of Interest. Councillor J. Thompson-Hill informed the Committee that until a formal decision had been taken the work of the Council would continue with a view to addressing the current budget issues, and the HLHRDS confirmed that the Council's business would progress as usual over the next three year period with the

focus being on the budget process. The CA outlined the role of the Committee with regard to LGR, and the work which could be undertaken with Conwy in relation to the production of a Business Plan.

The Chair explained that his suggestion made at Council 'that in the Budget Process the Equality Impact Assessments also entail the impact of budget cuts on those on low income' had been well received by the Chief Executive. Following further discussion, it was:-

**RESOLVED** – *that, subject to the comments made, the Corporate Governance Committee receives and notes the latest update.*

**(RW to Action)**

## **6 WAO - REVIEW OF FINANCIAL PLANNING**

To receive a report from the Wales Audit Office on Denbighshire's Financial Planning Assessment (copy enclosed).

The WAO Representative introduced the final report of the Wales Audit Office into Denbighshire's financial planning, copy attached, and a summary of the following key findings was provided:-

- The Council had good financial management arrangements with no immediate shortcomings.
- The Council had a good track record in delivering identified savings within year against the planned actions that it approved.
- The Council's future plans and arrangements to deliver savings were fit for purpose and being effectively managed.
- There were no proposals or recommendations arising from the review.

The Committee were informed that the report had been included on the Council's website, and it was agreed that the suggestion that the document be the subject of a press release be conveyed to the Communications and Campaign Management Team. The WAO Representative explained that the engagement process adopted with regard to the press would be a matter consideration by the respective Councils, and he confirmed that in terms of compliance Denbighshire had met the expected requirements.

In response to concerns raised by Councillor S.A Davies, the HLHRDS explained that Denbighshire had framed its exercise with the public carefully by undertaking an engagement process, whereby views on the impact of proposals had been sought, rather than a consultation process. He provided confirmation that it had been clearly stated that choices would need to be taken by Elected Members.

Following further discussion, it was:-

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

*(a) receives and notes the contents of the Wales Audit Office report, and*

*(b) requests that the Communications and Campaign Management Team be informed of the views expressed that the document be the subject of a press release.*

**(GW to Action)**

## **7 PROCUREMENT OF CONSTRUCTION SERVICES - UPDATE**

A report by the Head of Internal Audit (HIA), which provided details of Internal Audit's latest follow up work of Procurement of Construction Services following its initial report in October, 2013 and the Wales Audit Office's (WAO) report of March, 2014, had been circulated previously.

Internal Audit had issued a report on Procurement of Construction Services in October, 2013 which had given a 'low' assurance rating, with an Action Plan for improvement. The review had concluded that "there is considerable scope for improvement. By developing a strategic approach, there is potential to make construction procurement much more efficient through streamlining processes and making them more consistent, with the benefit of removing duplication."

The WAO report in March, 2014 had covered school building maintenance work, concluding that "Improvements need to be made to the current procurement arrangements to ensure that the Council can demonstrate that it is achieving value for money. In addition, the Council is not complying fully with its current contract procedure rules."

The follow up Action Plan, Appendix 1, incorporated all 21 actions from both the Internal Audit and WAO Action Plans. Some progress had been made since the follow up report in September, 2014 but only eight actions had been fully implemented, although all of the remaining actions were in progress. There had been progress in developing a draft procurement strategy and contract procedure rules, both of which affect implementation of several other improvement actions. The HLHRDS provided confirmation that the Contract Procedure Rules had now been approved by Council and would be incorporated in the Council's Constitution.

Mr P. Whitham expressed concern regarding possible financial implications to the Council by not having a Procurement Strategy with regard to Construction and Procurement. He also made reference to its significance with regard to the proper delivery of projects within the Corporate Plan.

The CA explained that discussions had been held between the Acting Strategic Procurement Officer and HR with regard to ensuring that the relevant members of staff, with any procurement responsibility, attend CPR training sessions on a service by service basis. The HIA confirmed that work was currently being undertaken in schools with finance managers, head teachers and governing bodies which would incorporate contract procedure rules and relevant communication aspects.

In response to a question from Councillor S.A. Davies, the officers agreed to provide details for the delay experienced due to issues with the project manager, in respect of Risk Issue 3.

The HLHRDS responded to a question from Mr P. Whitham in relation to Risk Issue 11 and explained that the Verto system, utilised to manage projects, had been updated to add additional questions which must be completed prior to being permitted to progress to the next stage of the process.

During the ensuing discussion the Committee expressed some concern regarding the level of progress achieved and requested that a further report be presented to the Committee in January, 2015. Members also agreed that the Acting Strategic Procurement Officer be requested to attend the meeting to provide further background detail.

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

*(a) receives and notes the contents of the Internal Audit follow-up report, and  
(b) requests that a further report be presented to the Committee in January, 2015, and that the Acting Strategic Procurement Officer be requested to attend the meeting.*

**(GW, IB to Action)**

## **8 GOVERNANCE IMPROVEMENT PLAN**

A report by the Head of Internal Audit (HIA), which provided an update on the Council's Governance Improvement Plan (GIP) arising from the Council's 2013/14 'annual governance statement' - 'Delivering good governance and continuous improvement', had been circulated previously.

The report detailed the progress being made with implementation of the various actions included in the GIP to ensure that the Council had robust and effective governance arrangements in place. The Annual Governance Statement, 'Delivering good governance and continuous improvement', provided a transparent and balanced self-assessment of the Council's governance arrangements and highlighted any significant governance weaknesses and areas for improvement.

The improvement areas had been included in a GIP which provided proposed actions to the address the weaknesses, officers responsible for the actions and timescales. An update on progress with the GIP had been included as Appendix 1.

The 'Annual Governance Statement' self-assessment had not directly contributed to the Corporate Priorities. However, it provided an assessment and assurance on the delivery of the Corporate Plan, the Council's operational and financial performance, governance arrangements, community engagement, and these were all directed towards delivering the Corporate Priorities.

The HIA confirmed that consultation had been undertaken with officers responsible for implementing the actions identified within the GIP. He explained that if the GIP was not implemented, weaknesses would remain in the Council's governance arrangements, which could lead to:-

- adverse regulatory reports;

- poor use of public money;
- failure to improve key corporate and service areas;
- loss of stakeholder confidence; and
- an adverse impact on the Council's reputation.

The following responses were provided to questions from Mr P. Whitham:-

- The HIA confirmed that Phase 2 of the development on the transfer of functions would include the management framework of the relationship with other parties. This would incorporate a strong commissioning function and would be in situ prior to any in or out sourcing of functions.

- The Chair explained that it had been agreed to present the Corporate Governance Committee Annual Report to Council in February, 2015.

In reply to a question from Councillor G.M. Kensler, the HLHRDS explained that the Constitution Working Group would meet in January, 2015 prior to the submission of a report to the Corporate Governance Committee. Concerns were expressed by Councillor S.A Davies regarding the accuracy of the content of the Corporate Equalities Group booklet.

**RESOLVED** – *that Corporate Governance Committee receives and notes the contents of the report.*

## **9 FINANCIAL PAYMENT TO CARE LEAVERS - UPDATE**

The Committee received a verbal report from the Head of Children and Family Services (HCFS) on the progress with the Action Plan included in the Internal Audit report on Financial Payments to Care Leavers. The report presented to the Committee in November, 2014 had been circulated with the papers for the meeting.

The Chair referred to the views expressed at the previous meeting that the headline action, that a meeting had not been held between the Head of Revenues and Benefits (HRBSM) and the Service Manager - Looked After Children (SMLAC), had a detrimental impact on some of the other identified actions. The Committee had agreed that the HRB and the SMLAC be invited to attend the December, 2014 meeting to explain the lack of progress and provide assurance that the Action Plan was now being progressed.

The HCFS explained that having liaised further with Internal Audit it had been identified that the appropriate link was with Procurement Services rather than Revenues and Benefits. Three main aspects of concern related to:-

- The importance of ensuring that there was a robust system to address the management of the large amounts of cash handled at Brighton Road, Rhyl.
- The Service, as a result of Government and Court decisions, were acting as a benefits agency and the need had arisen to examine how to effectively perform this function, and address other associated issues and dimensions.

- The Council's role as the corporate parent to service users, and the need to examine the implementation and operation of systems suitable for both the Council and service users.

It was explained that the internal audit process had been established to provide a steer and guidance in the development of an Action Plan. It was confirmed progress had been achieved and the following issues were highlighted:-

- Difficulties arising when service users were unable to manage their respective finances.
- The need to strike a balance between managing the process as a benefits agency and corporate parent, to ensure service users utilise their finances over a given period of time.
- There having been very little adverse effect on service users. The processes utilised had ensured that the requirements and needs of service users had been addressed.
- The need to ensure that issues relating to the management of cash did not have an adverse effect on service users. Details pertaining to the management of cash flow, and the examination of new payment models, were summarised.

The HRBSM provided the following information with regard to the Revenues and Benefits service aspect:-

- Increase in the level of demand for cash and the safeguards instigated.
- An acknowledgement that the Children's Services Team were ensuring that the needs of the service users were being met.
- A suggestion to instigate a reduction in cash payments where possible, to reduce the possibility of fraud and abuse.
- The need to examine procurement activity, the inclusion of the provision of bus passes, charitable organisations and other third sector engagement.
- The importance of ensuring a robust set of procedures and processes were in place for the distribution of cash.
- Confirmation provided that cash was not supplied for the acquisition of white goods.

In response to a question from the Chair regarding the provision of financial management training, the SMLAC referred to the money management programme delivered by Barnardos Children's Charity. She also outlined the process instigated to address the actions highlighted which included discussions with the Senior Procurement Officer in respect of white goods, pre-payment cards and travel tickets and passes.

The SMLAC provided a detail summary of the progress achieved with regard to Risk Issues 1, 2 and 3 detailed in the Action Plan. The CA explained that there was no perfect solution available and the action taken was that realistically available. The HIA agreed that an information progress report be presented to the March, 2015 meeting of the Committee.

Following further discussion, it was:-



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

(a) receives and notes the actions in the report, and  
(b) requests that an information update report be presented by the Head of Internal Audit to the March, 2015 meeting of the Committee.

**(IB to Action)**

## **10 FEEDBACK ON CORPORATE EQUALITY MEETING**

Councillor M.L. Holland had submitted an apology due to ill health and no report was submitted.

## **11 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:-

### **28<sup>th</sup> January, 2015:-**

- Due to timescale restrictions Members requested that an overview report be presented regarding the Clwyd Leisure Review Update.
- An update report by the Acting Strategic Procurement Officer on Procurement of Construction Services be included in the Forward Work Programme.

### **26<sup>th</sup> March, 2014:-**

- A report on the Clwyd Leisure Review.
- Report on Wales Audit Office Activity.

In response to concerns raised by Councillor S.A. Davies, it was agreed that Councillor Davies forward information pertaining to the Pension Scheme to the Chair and Vice Chair of the Corporate Governance Committee by the 8<sup>th</sup> January, 2015. The information would then be presented to the Scrutiny Chairs and Vice Chairs Group for consideration and possible submission to the respective Scrutiny Committee for discussion. The HLHRDS explained that the Pension Scheme was a statutory scheme. However, an information report could be commissioned containing the relevant detail for consideration by Members. The WAO Representative explained that Flintshire were the Administrative Authority for the Clwyd Pension Fund and it would be important to note the governance structures in situ. It was confirmed that any implications for the Pension Scheme arising from Local Government Reform would be considered and included in the Business Case.

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

Meeting ended at 12.30 p.m.