

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1B, County Hall, Ruthin on Wednesday, 28 January 2015 at 9.30 am.

### **PRESENT**

Councillors Stuart Davies, Peter Duffy and Jason McLellan (Chair) and Mr P. Whitham (Lay Member).

### **ALSO PRESENT**

Director of Social Services (NS), Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (RW), Acting Strategic Procurement Officer (SA), Education Planning and Resource Manager (CW), Principal Manager – Business Support (TW), Wales Audit Office Representatives (GB), Area Manager for CSSIW (HM) and Committee Administrator (CIW).

### **1 APOLOGIES**

Apologies for absence were received from Councillors Joan Butterfield, Martyn Holland, Gwyneth Kensler, Julian Thompson-Hill and Corporate Director: Economic and Community Ambition and Head of Communication, Marketing and Leisure.

### **2 DECLARATIONS OF INTEREST**

Councillors Jason McLellan, Stuart Davies and Mr Paul Whitham declared a personal interest in Agenda Item 10, Financial Management of Schools.

### **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 17<sup>th</sup> December, 2014.

Matters arising:-

8. Governance Improvement Plan – In response to a question from Mr P. Whitham, it was explained that consideration had been afforded to presenting the Corporate Governance Committee Annual Report to the April, 2015 meeting of Council to coincide with the end of the municipal year and the presentation of Annual Reports from the respective Scrutiny Committees. Members noted that this would be the first Corporate Governance Committee Annual Report to be presented to Council.

8. Corporate Governance Committee Work Programme, 26<sup>th</sup> March, 2015 – In response to reservations raised by Councillor S.A. Davies, the HLHRDS confirmed that it had been agreed that he would prepare an information note which could be presented to a budget workshop meeting for consideration. The Chair explained that the presentation of the information to the Scrutiny Chairs and Vice Chairs Group would be the mechanism for the commencement of the process.

In reply to concerns raised by Councillor Davies regarding the increasing level of funding contributions required from the Council into the pension scheme, the HLHRDS confirmed that this was a statutory scheme set out in the Local Government Pension Scheme Regulations 2013 with the root power being in the Superannuation Act, and he provided a brief summary of the contents of the Act. The HLHRDS explained that the Chief Executive had requested that he provide a presentation to a budget workshop, which he suggested could include a financial report from the pension fund with regard to its current financial position and the Governance arrangements for the fund. It was confirmed by the HLHRDS that effectively in law neither the County Council nor the Welsh Government would be in a position to influence the matter.

Councillor Davies highlighted the need to make representations to both Central Government and the WLGA, and the HLHRDS suggested that this course of action could be raised at a budget workshop. Councillor Davies expressed the view that representations be made, regarding the concerns highlighted, at national level and to the WLGA who had already acknowledged that there were issues of concern.

In reply to a question from Councillor P.C. Duffy, the HLHRDS agreed to seek clarification regarding membership of Elected Members to the pension scheme.

9. Financial Payment to Care Leavers Update – Mr P. Whitham explained that he had not been satisfied by the explanation provided at the meeting with regard to the lack of progress. The Chair confirmed that an update report would be presented to the Committee in March, 2015 when the matter would be scrutinised robustly.

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

## **5 CSSIW REPORT**

A copy of a report by the Director Social Services (DSS), which set out the key issues arising from the Care and Social Services Inspectorate Wales (CSSIW) valuation of Denbighshire Social Services performance for 2013-14, had been circulated previously. A copy of the full evaluation had been included as Appendix I.

The Chair welcomed Mr Hugh Morgan, Area Manager for CSSIW (AMCSSIW), and the Principal Manager – Business Support to the meeting.

The report detailed the performance evaluation for Social Services including areas of progress, areas for improvement and risk. Every year CSSIW undertake a

comprehensive evaluation of each Local Authority's Social Services performance. The evaluation draws on a wide range of evidence, including: the Director of Social Services annual report on performance and plans for improvement in their local authority area; CSSIW's regulatory work; and the views of other auditors and inspectors. The evaluation had been moderated to ensure a consistent, transparent and proportionate approach.

The evaluation of Denbighshire Social Services had highlighted that there was clarity and focus in the report which outlined the direction of travel for social care in Denbighshire and in particular:-

- There is powerful evidence of a strategic approach taken to meeting demographic challenges.
- The Council has implemented innovative models of practice and integrated partnership development.
- There is robust scrutiny particularly through service challenges and listening to views of people underpinning the modernisation agenda.
- A strong commitment and forward planning in relation to Welsh language
- Performance of the service is strong.

A number of specific areas for improvement had been identified in the report. The Council's progress in relation to these would be discussed during regular meetings between the Senior Management Team and the CSSIW. The areas for follow-up by the CSSIW next year included:-

- The impact of changes to the POVA (Protection of Vulnerable Adults) infrastructure.
- The establishment of a rigorous research approach to capturing and responding to the views of children, young people and their families.
- Improving the quality of provision and outcomes for looked after children.

Appendix II provided an overview of the areas which were identified for improvement in the performance evaluation, and information about how the Council was responding 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 2014-15. The plans were formally monitored each quarter by the services, and many elements were reported bi-annually to Performance Scrutiny and Cabinet as they formed part of the Corporate Plan. Each service also 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. It had been recognised that progress had not been as significant as anticipated in respect of performance relating to looked after children. However, significant improvements had been made since the inspection with 100% success in key areas.

The AMCSSIW introduced and summarised the CSSIW Performance Evaluation Report and the following salient points were highlighted:-

- It had been recognised that the Council had engaged in a strategic five year modernisation plan, and the resulting considerable changes had been noted with a reshaping of service provision.
- There was a good level of scrutiny through the Service Challenge process.
- Areas of strength were noted and three key areas requiring improvement had been identified:-
  - (i) How the service listened and responded, reference to the collection of data.
  - (ii) Concerns pertaining to looked after children, particular reference to areas of health and education.
  - (iii) The safeguarding of children and adults in particular. Reference made to the Protection of Vulnerable Adults (POVA).
- The remit of the work of CSSIW with regard to POVA, and the respective policy developments.

In response to questions from the Chair, the DSS outlined developments and explained that the Social Services and Well-being Wales Act had required a fundamental review of the adult safeguarding processes in Wales, and the group charged with examining the process would be reporting in the near future. Reference was made to case law which had widened the scope of legislation and increased the volume of work for Councils with a significant influx of cases. She stressed that it was a fundamental aspect of social care to protect those who were most vulnerable and to ensure that there was no deprivation of liberty unless in their best interest. All homes in Denbighshire had been made aware of the judgement and additional training had been provided for staff as best interest assessors.

The Committee were informed that the Adult Safeguarding Board would present an annual report to Scrutiny, and monthly meetings held to discuss level 6 training. The HIA confirmed that Internal Audit would be undertaking work on a wide ranging report on Corporate Safeguarding procedure to be presented to the Committee.

The DSS responded to a question from Councillor S.A. Davies and explained that WG funding had been received, through the intermediate care fund grant, to assist with addressing issues relating to delayed transfers of care for social care reasons.

The Chair highlighted the areas identified within the report as requiring improvement, the need for progress and the importance of monitoring the work undertaken. He made reference to the significant decrease in the number of qualifications obtained by looked after children, and to the importance of ensuring that research undertaken was utilised to improve outcomes.

Difficulties in attaining the views of young people were outlined by the DSS. She emphasised the importance of engaging with them in a receptive manner and explained that a mechanisms had been introduced to meet these requirements. The DSS explained that performance was important but this would be exceeded by the requirements of individual children and their respective circumstances.

In response to a question from the Chair seeking clarification of the statement that “the pathway and outcomes for people who do not meet the threshold for care and support from social services was unclear”, Mr Morgan (CSSIW) explained that there had been an attempt to ascertain or capture evidence of how the specific needs of the individuals were being addressed, and observe if adequate research had been undertaken to address these issues and if the individuals had been directed to other service providers for support and assistance. The DSS explained that there had been a new configuration of service and outlined the monitoring procedures introduced.

The HLHRDS responded to questions from the Chair on the level of work by Legal Services, in respect of Care Orders, reflecting the implications of the work undertaken by the Family Support Team. The DSS explained that the process of taking a child into care could be perceived as a failure of society and it would be important to assist in preventing such action. Mr P. Whitham highlighted the reference made to the fluidity of looked after children but expressed concern regarding the lack of the provision of numbers involved, the Principal Manager, Business Support confirmed that the figures were available.

The Chair confirmed that it would be important to monitor the work identified in Appendix 1, which related to Children and Family Services, particularly areas of performance around health and education of looked after children. The DSS explained that the actions identified would be monitored within the Business Plan, the Service Challenge process and in addition would also feature in the DSS Annual Report which would be presented to the relevant Scrutiny Committee and Council.

At the request of the Chair, the DSS agreed to circulate an e-mail to all Members detailing the discussion at the meeting, and informing them that the Corporate Parenting Panel were seeking nominations for additional Members.

Following further discussion, it was:-

**RESOLVED** – that:-

- (a) that the CSSIW evaluation and the associated progress report from Social Services be received and its contents noted.*
- (b) the issues and concerns highlighted by Members be noted, and*
- (c) an e-mail be sent by the DSS to all Members informing them that the Corporate Parenting Panel were seeking nominations for additional Members.*

**(NS to Action)**

## **6 BUDGET PROCESS 2015/16 - 2016/17**

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.

The HFA introduced the report and explained that the budget process had moved into Phase 3 which was focussed on finalising the 2015/16 budget. Appendix 1 provided an illustration of the budget process. The process would revert to consideration of the 2016/17 budget with Member budget workshops arranged to focus on saving proposals in February and March 2015, and this would become Phase 4. The forecast budget gap for 2016/17 was approximately £8.8m, and savings of £2.7m had been approved as part of the current process leaving a gap of approximately £6.1m.

An updated table of key events in the process to the end on March, 2015 had been included as Appendix 2. Further dates and details would be added following a scheduled budget session with SLT in February. A report approved by Cabinet on the 13<sup>th</sup> January, 2015, which set out recommendations to be made to Council on the 3<sup>rd</sup> February, had been included as Appendix 3. The CA explained that there had been minor amendments to the report presented to Cabinet which included a further analysis of council tax levels across North Wales, and comments received following the LJCC meeting held on the 14<sup>th</sup> January, 2015.

The report set out proposals to balance the 2015/16 budget, including raising Council Tax by an average of 2.75%, the level assumed in the Council's budget plans, and use of general balances. Following the budget workshop in December, it also included a formal recommendation to prioritise the delivery of the Corporate Plan in future budget rounds. The report to Council in December highlighted the significant consultation process and details had been included in the report, together with, details of possible risks and the actions implemented to negate and address them.

The CA invited Members attention to Section 10 of the report, which included the specific risks referred to by Mr P. Whitham at the previous meeting. He explained that SLT would be considering these specific issues, and the general implementation of the savings, at a meeting scheduled for the 5<sup>th</sup> February, 2015. The CA confirmed that a report of the outcome of the meeting would be presented to the Corporate Governance Committee. During the ensuing discussion Mr Whitham expressed his appreciation for the inclusion of the risks in the report.

In response to a question from the Chair, the CA confirmed the budget process for 2016/17 would commence in February, 2015. However, he explained that some of the proposals had already been agreed and he provided a brief summary of the process adopted.

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

- (a) receives and notes the contents of the report on the latest update, and*
- (b) agrees that a report of the outcome of the SLT meeting on the 5<sup>th</sup> February, 2015 be presented to the Corporate Governance Committee.*

**(RW to Action)**

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

A report by the Acting Strategic Procurement Manager (ASPM) had been circulated previously.

The ASPM introduced the report which provided details of progress on 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. This was the second follow up report, with the previous one having been submitted in September, 2014.

The Committee had requested that a further follow up report for Procurement of Construction Services be presented to provide assurance that improvements had been made since the December, 2014 report.

Details of the findings of the Internal Audit report on Procurement of Construction Services in October, 2013, and the WAO report, which covered school building maintenance work, had been included in the report. The follow up Action Plan, Appendix 1, incorporated all 21 actions from both the Internal Audit and WAO Action Plans. Although some progress had been made since the follow up reports in September and December 2014, only eight actions had been fully implemented. A further two had now been completed and the remaining actions were in progress. In particular, there had been progress in developing a draft procurement strategy and there had been significant progress on the contract management functionality in the e-sourcing system following increased effort in gathering data. The transfer of the Collaborative Procurement Service from Finance and Assets to Communications, Marketing and Leisure may impact slightly on some timescales.

The ASPM provided a detailed summary of the Action Plan, Appendix 1, and explained that the majority of the delays experienced had related to staffing and RCF issues. The WAO Representative acknowledged the progress made and referred to the matters which were still outstanding and suggested that a further progress report be presented to the Committee in May, 2015 when these action points had been addressed.

Mr P. Whitham highlighted the importance of ensuring that all members of staff directly involved in procurement were aware of the CPR's and received the necessary training as soon as possible, and that evidence was available that the training had been delivered. The ASPM explained that corporate induction packs for new starters now included details pertaining to the CPR's, a review of training materials was currently being undertaken based on the training provided by Flintshire County Council and a schedule of training courses would be arranged for the 180 members of staff who roles included work with CPR's, with each member of staff being required to provide written confirmation of receipt of the training.

In response a question from Mr Whitham, the ASPM explained that the provision of training on CPR's for members of staff based in schools would be arranged by the Education Planning and Resource Manager, and details could be provided during consideration of business item number 8 of the agenda. The ASPM also confirmed that the CPR's would be applied to the delivery of the Council's Corporate Plan, particular reference being made to the role out of the twenty first century schools programme.

Councillor D.C. Duffy expressed his concern regarding the delays experienced in meeting the timescales as outlined in the Action Plan.

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

(a) receives the report and expresses its concerns regarding the delays experienced in meeting the timescales as outlined in the Action Plan, and  
(b) requests that a progress report be presented to the May, 2015 meeting of the Committee.

**(SA to Action)**

## **8 TREASURY MANAGEMENT REPORTS**

To receive a report by the Head of Finance and Assets (copy enclosed) which incorporated the Treasury Management Strategy Statement 2015/16, Prudential Indicators 2015/16 and Update Report 2014/15.

The TMSS, Appendix 1 shows how the Council would manage its investments and its borrowing for the coming year and sets the policies within which the TM function operates. The report also outlined the likely impact of the Corporate Plan on this strategy and on the Prudential Indicators. The TM Update Report, Appendix 2, provided details of the Council's TM activities during 2014/15. The CA outlined the changes in policy which included the implications pertaining to the Banking Reform Act and the national ending of the subsidy system for the Housing Revenue Account in Wales.

Members were informed that the figures contained in the TMSS were draft and would be updated prior to approval by Council based on the latest Capital Plan in February, 2015.

TM involved looking after the Council's cash which was a vital part of the Council's work as approximately £0.5bn passes through the Council's bank account annually. At any one time the Council had at least £20m in cash so it was important to ensure the best rate of return possible was achieved without putting the cash at risk, which was the reason for investing money with a number of financial institutions. When investing, the Council's priorities would be 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).

The TMSS for 2015/16 had been set out in Appendix 1. The report included Prudential Indicators which set limits on the Council's TM activity and demonstrated that the Council's borrowing was affordable. A summary of the detail in Appendix 1 was provided by the CA.

The Council Fund indicators were based on the latest proposed capital bids and block allocations and these would be updated prior to submission of the report to Council for approval on 24<sup>th</sup> February, 2015.



The Housing Revenue Account indicators had been calculated based on the latest estimates from the Housing Stock Business Plan. The individual Prudential Indicators recommended for approval had been set out in Appendix 1 Annex A.

The WG had concluded negotiations with HM Treasury regarding the reform of the HRA subsidy system in Wales. There would be a need to borrow between £39m and £55m on the 2<sup>nd</sup> April, 2015 to buy out of the subsidy scheme to become self-financing. The impact of this had been built in to the HRA prudential indicators and further details of the buy-out had been included in Appendix 1 Section 8. Appendix 3 included a risk and sensitivity analysis relating to the HRA buy-out.

The TM update report, Appendix 2, highlighted the changes implemented to the investment strategy, Appendix 1 Section 3, as a result of bail-in risk which would mean that banks would not be able to rely on government support if they get into difficulty and would be required to bail themselves out by taking a proportion of investors' deposits to build up their capital. These changes involved moving away from conventional bank deposits to secured investments such as reverse repurchase agreements (REPOs) and covered bonds.

Details of the consultation process had been included in the report, and it was confirmed that the revised CIPFA Code of Practice on TM had been adopted on the 28<sup>th</sup> February, 2012. It explained that it was a requirement of the Code for Council to approve a TMSS each financial year.

At this juncture in the meeting the Committee resolved to move to Part II to consider Appendix 3 of the report, HRAS Voluntary Agreement Risk and Sensitivity Analysis.

## **PART II**

### **EXCLUSION OF PRESS AND PUBLIC**

***RESOLVED*** that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972

The CA provided a detailed summary of Appendix 3 which outlined and quantified of some of the risks apparent and possible impacts resulting from the proposed national agreement to end the Housing Subsidy system in Wales. It also highlighted some of the key financial risks associated with the proposed agreement and possible impacts on the sustainability of the Housing Stock Business Plan. The CA outlined the recommendations as presented to the Head of Finance and Assets, and highlighted the complex nature of the proposed agreement, particular reference being made to the implications arising from the flexibility of interest rates.

The HLHRDS explained that Council had approved the deal in principle and delegated authority to the respective Lead Member and Head of Finance and Assets to negotiate the final detail. The Chair suggested that the situation be noted

and included in the Committees Forward Work Programme following further developments.

In response to a question from Councillor S.A. Davies relating to the right to buy, the CA confirmed that the number of transactions over recent years had been minimal.

Following consideration of Appendix 3 the meeting resumed to Part I.

## **PART 1**

The Chair explained that the CIPFA Code of Practice on TM required the Section 151 Officer to ensure that all Members tasked with TM responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. The CA agreed that training could be provided and details of previous training provision be forwarded to the Chair.

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

*(a) receives the TMSS for 2015/16, and the Prudential Indicators for 2015/16, 2016/17 and 2017/18 (Appendix 1).*

*(b) notes the TM update report (Appendix 2), and*

*(c) agrees that the Chief Accountant provides the Chair with details of previous training provision on TM matters.*

**(RW to Action)**

## **9 CLWYD LEISURE REVIEW**

The Chair provided background information regarding the issue in question and expressed concerns regarding the timescales for the production and presentation of the report to the Committee. He emphasised that he felt that the decision not to assign the compilation of the report to a Senior Officer, with the appropriate experience, could have contributed to the delays experienced.

The HIA informed Members that he had become involved in the production of the report at the request of CET, who had expressed their dissatisfaction with the manner in which the original report had been presented. He explained that the drafting of the report had been more onerous than originally anticipated, however, it was now almost complete and would be presented to the Committee in March, 2015.

The HIA explained that the report detailed the lessons learned and was similar to the previous theoretical review which he had undertaken, which merged work carried out in respect of arm's length companies into the Clwyd Leisure Report.

At the request of the Chair, it was agreed that the report be circulated to Members of the Corporate Governance Committee following its completion, together with details of any exemptions. In response to questions from Members, the HIA confirmed that the report would address all the issues of concern raised and would include a framework for future reference.

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

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

(b) agree that a further report be presented to the March, 2015 meeting of the Committee

**(IB and GW to Action)**

## **10 FINANCIAL MANAGEMENT OF SCHOOLS**

The HIA provided a summary of the background to issues pertaining to the financial management of schools and explained that the concerns raised related to school credit balances rather than deficit balances. He informed the Committee that from an audit prospective they were well managed despite having pressures on specific balances. The Head of Customers and Education Support had met with Members and this had provided assurances in relation to the current position.

A copy of the three year forecast by school for 2014-15 to 2015-16 was circulated at the meeting. Councillor P.C. Duffy expressed concern that the document had not been circulated to Members of the Committee prior to the meeting.

The Education Planning and Resource Manager (EPRM) summarised the three year forecast paper which provided details of the Total Surplus/(Deficit) figures for the 2014/15 Budget, 2014/15 Surplus (deficit), Actual % to variance to budget, Claw back over 5% threshold and over the WG threshold.

The following issues were highlighted by the EPRM:-

- WG recommended level of balances being £3,3m.
- Total surplus for all schools currently recorded at £2.9m, which was below the recommended Denbighshire Policy of 5%.
- Some schools were carrying balances in excess of 5%.
- Change of WG Regulations in September, 2010, provided Local Authorities with the power to claw back balances in excess of £50k for primary and £100k for secondary schools.
- Denbighshire currently £400k below WG recommendation for balances for total schools.
- Due to broad spectrum of schools Denbighshire had decided not to enforce the rule in their schools. The impact over a three year period being more relevant than over one year.
- Reference made to the relevance and impact of a standstill budget for schools until 2014/15 and 2015/16.
- The WAO Representative questioned the reason for two secondary schools having greater balances than other schools. The EPRM explained that the schools were special schools and the retained balances were for the undertaking of programmed work at the schools.
- In response to questions raised, the EPRM explained that Ysgol Pendref was a school in financial difficulty, and a recovery plan was currently being developed.

The EPRM referred to the three year plan and informed the Committee that circulation of the secondary school budgets was imminent. However, those relating to primary schools would be delayed due to WG changes relating to the funding foundation phase. Finance managers would work with the school governors and headteacher to produce a revised three year plan, the details of which would then be incorporated into the figures circulated.

During the ensuing discussion, the Committee agreed that consideration of a further report be included in the forward work programme of the Scrutiny Chairs and Vice-Chairs Group for deliberation. The CA felt that it might be beneficial if the report coincided with the report on the final position for 2014/15.

In reply to a question from Mr P. Whitham, the EPRM referred to the schools purchasing rules and provided details of the provision of training for school staff to ensure compliance with the new CPR's.

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

*(a) receive and note the contents of the report, and*

*(b) request that consideration of a further report be included in the forward work programme of the Scrutiny Chairs and Vice-Chairs Group.*

**(JW, CW and RW to Action)**

## **11 FEEDBACK ON THE CORPORATE EQUALITIES MEETING**

Councillor Holland had been unable to attend the meeting and had submitted an apology.

## **12 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:-

26<sup>th</sup> March, 2014 – A report on Clwyd Leisure by the Corporate Director: Economic and Community Ambition.

20<sup>th</sup> May, 2015 – A report on the Procurement of Construction Services by the Acting Strategic Procurement Officer.

The Committee also agreed that a further report on the Financial Management of Schools, School Balances, be submitted to coincide with the Final Outturn Reports.

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

Meeting ended at 13.05 p.m.