

To: Members of the Corporate  
Governance Committee

Date: 20 March 2015

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Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 25 MARCH 2015** in **COUNCIL CHAMBER, RUSSELL HOUSE, RHYL**.

Yours sincerely

G. Williams  
Head of Legal and Democratic Services

## **AGENDA**

### **1 APOLOGIES**

### **2 DECLARATION OF INTERESTS (Pages 5 - 6)**

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 7 - 20)**

To receive the minutes of the Corporate Governance Committee meeting held on the 28<sup>th</sup> January, 2015.

**5 BUDGET PROCESS 2016/17**

To consider a report by the Head of Finance and Assets (copy enclosed) which provides an update on the process to deliver the revenue budget for 2015/16.

**6 INFORMATION MANAGEMENT STRATEGY UPDATE (Pages 21 - 24)**

To consider a report by the Corporate Information Manager (copy enclosed), which provides an update on progress made on implementing the Council's Information Management Strategy.

**7 WHITE PAPER - REFORMING LOCAL GOVERNMENT, POWER TO LOCAL PEOPLE**

To consider a report by the Head of Legal, HR and Democratic Services (copy enclosed), on Welsh Government's White Paper - 'Devolution, Democracy and Delivery Reforming Local Government: Power to Local People'.

**8 2015 AUDIT PLAN DENBIGHSHIRE COUNTY COUNCIL (Pages 25 - 46)**

To consider a report by the Head of Finance and Assets (copy enclosed), on the Wales Audit Office report '2015 Audit Plan – Denbighshire County Council'.

**9 GOVERNANCE IMPROVEMENT PLAN AND DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15 (Pages 47 - 90)**

To consider a report by the Head of Internal Audit (copy enclosed), which provides an update on the Council's Governance Improvement Plan arising from the Council's 2013/14 'annual governance statement' - '*Delivering good governance and continuous improvement*', and presents a first consultation on the self-assessment report on the Council's governance and improvement arrangements for 2014/15.

**10 INTERNAL AUDIT STRATEGY 2015/16 (Pages 91 - 102)**

To consider a report by the Head of Internal Audit (copy enclosed), which details the Internal Audit Strategy for 2015/16.

**11 FINANCIAL PAYMENT TO CARE LEAVERS - UPDATE (Pages 103 - 110)**

To consider a report by the Head of Internal Audit (copy enclosed), on the progress with the Action Plan included in the Internal Audit report on Financial Payments to Care Leavers issued in March, 2014.

**12 CLWYD LEISURE LTD - REVIEW OF LESSONS LEARNED** (Pages 111 - 140)

To consider a report by the Corporate Director: Economic and Community Ambition (copy enclosed), which reviews the circumstances pertaining to Clwyd Leisure Services.

**13 FEEDBACK ON CORPORATE EQUALITY MEETING**

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

**14 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 141 - 144)

To consider the Committee's forward work programme (copy enclosed).

**MEMBERSHIP**

**Councillors**

Stuart Davies  
Peter Duffy  
Martyn Holland

Gwyneth Kensler  
Jason McLellan  
Barry Mellor

**Lay Member**

Paul Whitham

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DEDDF LLYWODRAETH LEOL 2000

Cod Ymddygiad Aelodau

## DATGELU A CHOFRESTRU BUDDIANNAU

Rwyf i,  
(enw)

\*Aelod /Aelod cyfetholedig o  
(\*dileuer un)

Cyngor Sir Ddinbych

**YN CADARNHAU** fy mod wedi datgan buddiant **\*personol / personol a sy'n rhagfarnu** nas datgelwyd eisoes yn ôl darpariaeth Rhan III cod ymddygiad y Cyngor Sir i Aelodau am y canlynol:-  
(\*dileuer un)

Dyddiad Datgelu:

Pwyllgor (nodwch):

Agenda eitem

Pwnc:

Natur y Buddiant:

Llofnod

Dyddiad

**Code of Conduct for Members**

**DISCLOSURE AND REGISTRATION OF INTERESTS**

I, *(name)*

a \*member/co-opted member of

*(\*please delete as appropriate)*

**Denbighshire County Council**

**CONFIRM** that I have declared a **\*personal / personal and prejudicial** interest not previously declared in accordance with the provisions of Part III of the Council's Code of Conduct for Members, in respect of the following:-

*(\*please delete as appropriate)*

Date of Disclosure:

Committee *(please specify)*:

Agenda Item No.

Subject Matter:

Nature of Interest:

Signed

Date

## **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.

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**Report To:** Corporate Governance Committee

**Date of Meeting:** 25<sup>th</sup> March 2015

**Lead Member / Officer:** Councillor Julian Thompson-Hill /Paul McGrady

**Report Author:** Richard Weigh, Chief Accountant

**Title:** Budget Process 2015/16 – 2016/17

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

The report gives an update on the process to deliver the revenue budget for 2015/16 and 2016/17.

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

To provide an update of the latest position.

**3. What are the Recommendations?**

To consider the latest update and comment as appropriate.

**4. Report details**

Since the last update, the budget for 2015/16 has been set. The process will now focus on implementing the 2015/16 savings and delivering the 2016/17 budget. The first set of member budget workshops focussing on saving proposals for 2016/17 has been arranged: the first took place on 23<sup>rd</sup> February and the second is arranged for 26<sup>th</sup> March. These two sessions are in the main focussing on proposals that were deferred from previous budget workshops.

It is hoped to be able to take a set of proposals for 2016/17, incorporating items discussed at the latest two workshops, to Council in June for approval.

Further budget workshops have been arranged for 5<sup>th</sup> June, 26<sup>th</sup> October and 14<sup>th</sup> December. As the process for 2016/17 is further developed, it may be necessary to schedule more workshops. It is proposed that the June workshop will consider outline proposals from CET/SLT and any proposals from elected members, who have recently all been written to offering the opportunity to propose options for future savings. The proposals identified in June would then be refined over the summer and presented to the workshop in October with the intention to present to Council for approval in December. The workshop in December will then focus on final proposals to balance the budget.

The forecast budget gap for 2016/17 is approximately £8.8m. Savings of £2.7m have been approved as part of the current process (in Phases 1 and 2

approved in September and December 2014) meaning the remaining gap is approximately £6.1m.

A chart showing the proposed budget process is included as Appendix 1. The chart outlines the process to deliver the 2016/17 savings and builds on the process that began in March 2014. The saving 'phases' referred to are the decision points taken to Council for approval. Phases 1-3 have been approved already and therefore the chart begins at Phase 4.

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

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

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

The council may need to deliver savings of approximately £17m over the next two financial years.

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

An EqIA will be completed for all relevant proposals as the process develops.

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

Previous reports have highlighted in detail the significant consultation process undertaken to deliver the 2015/16 and 2016/17 budgets and these are highlighted again below.

In addition to regular reports on the process to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals have been reviewed by scrutiny committees and one was based on recommendations from a member/officer task and finish group.

By the end of the 2015/16 budget setting process, there were ten budget workshops held with elected members to examine service budgets and consider budget proposals. A further five are arranged to consider proposals to meet the budget gap for 2016/17.

There was a public engagement exercise to consider the impact of budget proposals. In addition to this, the council had informed all Town and Community councils about the proposed cuts and hosted a meeting for all the councils to discuss and debate the proposals. There are ongoing discussions between some of the county council's services and some Town councils about the impact of the proposals and whether or not the Town councils would consider funding some of the activities if the cuts are made.

The council has consulted its partners through the joint Local Service Board and specific discussions have taken place with the Police.

All members of staff have been kept informed about the budget setting process and where proposals become decisions the affected staff will be fully consulted, in accordance with the council's HR policies and procedures.

Trade Unions have been consulted through Local Joint Consultative Committee. A process for engaging with staff and their TU representatives was agreed at LJCC in September and is being adhered to.

**9. Chief Finance Officer Statement**

This remains an extremely challenging process with some tough decisions to make along the way. The engagement and support of elected members in the decision making and scrutiny of the process is crucial.

The risk management framework proposed to manage the implementation of the 2015/16 budget savings is highlighted below.

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

This is the most challenging financial period the council has faced and failure to deliver an effective budget strategy will put further pressure on services in future financial years.

Risk management of the process is a key consideration of the Corporate Governance Committee and specific risks have been raised in previous reports. Possible risks around the implementation of each saving proposal were presented at workshops as they were being developed. However, to enhance this, a session of the council's SLT focussed on risk management of the process on 5<sup>th</sup> February and it was proposed that there should be four strands to a risk management framework underpinning the implementation of the 15/16 budget savings and this is presented in the table below:

<b>Impact</b>	<b>Method of Monitoring/Reporting</b>
Financial	Measured by Finance with Head of Service – reported monthly to Cabinet as part of Finance Report.
Performance	Measured by Business Improvement & Modernisation (BIM) with Head of Service. Reported to members via Scrutiny and/or Cabinet.
Risk	Measured by BIM/Internal Audit/Head of Service. Regular reports to Corporate Governance.
Scrutiny	Chairs/Vice-Chairs to review the reports above and call in as necessary

The Head of Finance and Assets will be leaving the council at the end of May. To ensure there is no risk to the budget process and that there is a smooth transition, the Chief Accountant will be leading the process over the next three

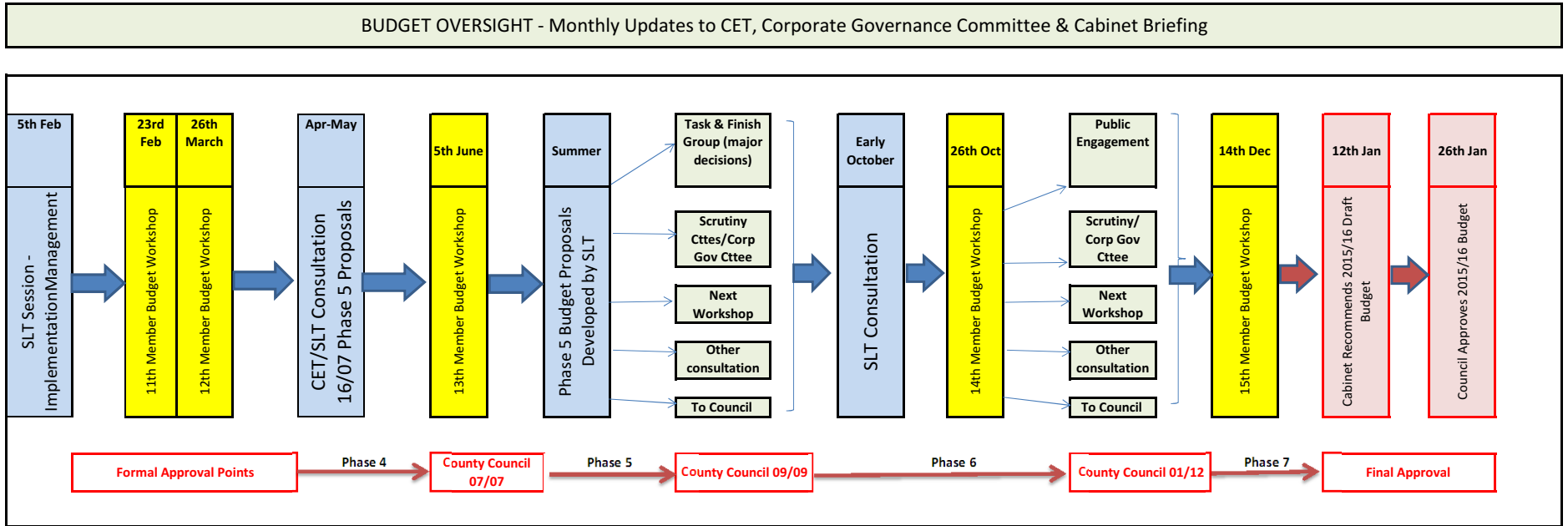
months with background support from the Head of Finance. This builds on the 2015/16 process which the Chief Accountant helped to develop and deliver.

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

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.



**PROPOSED BUDGET PROCESS 2016/17**



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**Report To:** Corporate Governance Committee

**Date of Meeting:** 25<sup>th</sup> March 2015

**Lead Member / Officer:** Councillor Barbara Smith

**Report Author:** Corporate Information Manager

**Title:** Information Management Strategy Update

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

1.1 This report will provide the Committee with an update on progress made on implementing the Council's Information Management Strategy.

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

2.1 An annual report update was requested by the Committee after the Strategy was presented to them during December 2013.

**3. Recommendations**

3.1 It is recommended that Corporate Governance Committee note the progress made on information management and continue to support its implementation.

**4. Report Details**

4.1 Information management has historically been seen as a significant governance weakness in Annual Governance Statements following adverse internal and external audit reports.

4.2 A Corporate Information Team was formed during 2013 to provide a more cohesive approach to this area and to address the identified weaknesses. The Team developed an Information Management Strategy to provide an agreed corporate approach to this function. Since this time, significant improvements have been made. These improvements have recently resulted in the risk associated with information management being reduced from amber (major) to yellow (moderate), and this has been reflected on the Corporate Risk Register.

4.3 Some of the key actions that have been undertaken over the last 12 months that have served to reduce the risk rating include:

- one of the first Councils in Wales to achieve Public Sector Network (PSN) accreditation during 2014;

- ensured Data Protection is considered at an early stage of a project by embedding privacy impact assessments into the corporate project management framework;
- raised awareness and improved competency levels in information management at the Council through the development and launch of a suite of eLearning modules, including; Data Protection, Freedom of Information, Environmental Information Regulations and Document Management.
- improved document management disciplines through the introduction of a suite of document management policies, including: file naming, version control and network drives;
- developed a consistent way of handling information security breaches via the development of an associated procedure;
- introduced secure email facilities via Egress;
- strengthened information management requirements into ICT procurement;
- improved communication on information management matters through the redevelopment of associated intranet pages;
- developed and received business case approval for an electronic mailroom;
- established a more resilient and robust means of handling access to information requests via the appointment of an Access to Information Officer;
- undertook nearly 4000 box destructions at the Corporate Stores during 2014. This has reduced total box levels being stored by approximately 10%;
- modernised the way many teams from across the Council work with documents via introduction of EDRMS (electronic document records management system). EDRMS is now used by 20% of the workforce; and
- revised and re-launched our Corporate Retention Schedule.

4.4 Whilst good progress has been made, there is still much to do. Over the next 12 months a number of activities are planned with a particular focus on developing the Council's Records Management and Archives functions:

<b>ACTIVITY</b>	<b>TARGET DATE</b>
Widen access to the county's archive materials and catalogue of its holdings via the development of an improved online presence.	March 2016
Consider different operating models for records management	December 2015
Refresh the information security policy framework in	December 2015

accordance with new requirements and best practice. This will be supported via the development of an information security eLearning module.	
Embed EDRMS into paper-heavy teams by project end - March 2016.	March 2016
Implement an improved IT system for the recording and reporting on access to information requests.	August 2015
Finalise an Information Asset Register.	May 2015
Develop training materials on email management to support the roll-out of Microsoft Exchange/Outlook.	July 2015
Publish more datasets to our website, thereby enabling the Council to meet its statutory duties under the Protection of Freedoms Bill 2012.	March 2016
Implement an improved process for managing the Council's confidential waste	August 2015

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

- 5.1 Good management of information will support the Council in achieving its 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 been approved until project end – March 2016.
- 6.2 There is a corporate cost associated with introducing a confidential waste service. This proposal is being presented to SLT on 19<sup>th</sup> March for consideration.
- 6.3 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 suggested that Impact Assessments are undertaken on the actions where necessary, rather than the Strategy.

**8. Chief Finance Officer Statement**

8.1 The Information Management Strategy forms an important part of the council's overall governance arrangements. Implementation of the Strategy should be achieved within existing resources. The additional cost of the confidential waste proposal referred to (estimated to be £15-£20k) will require funding from corporate resources if approved.

**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

<b>Report To:</b>	<b>Corporate Governance Committee</b>
<b>Date of Meeting:</b>	<b>25 March 2015</b>
<b>Lead Member / Officer:</b>	<b>Head of Legal, HR and Democratic Services</b>
<b>Report Author:</b>	<b>Head of Legal, HR and Democratic Services</b>
<b>Title:</b>	<b>Welsh Government White Paper – Reforming Local Government: Power to Local People</b>

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

- 1.1 The report is about the Welsh Government's White Paper entitled Reforming Local Government: Power to Local People ('the Paper').

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

- 2.1 The Paper is the subject of consultation until 28<sup>th</sup> April. The purpose of the report is to ascertain the views of the Committee on the proposals contained within the Paper. The Committee's views are particularly sought in respect of the elements of the Paper that relate directly to corporate governance matters.

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

- 3.1 That the Committee considers the content of the Paper and comments on those matters that are the subject of consultation.

## **4. Report details.**

- 4.1 The Paper was published on 3<sup>rd</sup> February 2015 by the Minister for Public Services. The Paper was published in three versions, the Full Version, the Everyday (summary) version and the Young People version. The Full version is attached as Appendix 1 to this report. The other two versions can be accessed via the following link <http://gov.wales/consultations/localgovernment/power-to-local-people>
- 4.2 The White Paper is extensive and includes a number of clear policy proposals, a reiteration of previous policy commitments (such as mergers, links to Future Generations Bill etc.) but also includes a number of open ended questions seeking views on policy options. Some of the proposals and policy options are complex but the White Paper offers limited detail around how proposals would be implemented.
- 4.3 There are nine main chapters contained within the Paper and it is accompanied by a consultation survey, a copy of which is attached as Appendix 2 to this report. The Committee is asked to consider in particular the chapter entitled

'Corporate Governance and Improvement' together with other areas of the Paper which impact on corporate governance issues and are identified in this report.

- 4.4 The Paper at paragraph 2.12 suggests that while rules are necessary to ensure good governance, too many can hinder decision making, make it difficult for local people to understand decision making and do not help communicate the values of the Council. The Paper suggests that constitutions should first and foremost set the authority's values and principles under which it will operate rather than being simply a rule book. The Paper seeks views on this and whether bureaucratic burdens imposed by local government legislation should be repealed or amended.
- 4.5 Paragraph 2.10 of the Paper proposes a general power of competence for local authorities and some community councils. Such a power would allow authorities to do anything not specifically prevented by law rather than, as currently, only being allowed to do those things that they are specifically authorised to do by law. This paragraph also suggests that back office function could be provided by a single national provider in the wholly owned subsidiary of Local Government in Wales.
- 4.6 Chapter 3 impacts on aspects of corporate governance in that it seeks to redefine the role and responsibilities of the Leader, Cabinet Members, Elected Members and the Chief Executive. The Paper proposes that candidates for the post of Leader should publish a written manifesto and present it to the Council before the election of the Leader. The Leader would subsequently present an annual statement of progress in delivering that manifesto. The Leader should be required to set objectives for each member of the Cabinet, to hold them to account annually for their progress and publish this information. The Leader would also be required to set objectives on behalf of the authority for the Chief Executive, assess the Chief Executive's performance annually and make a report to Council.
- 4.7 The Leader's manifesto and annual statement will be separate and different from the corporate plan. The corporate plan will be produced by the Chief Executive and set out how the authority will deliver the priorities set out in the manifesto. The Paper is clear that there must be no confusion between these roles.
- 4.8 Paragraph 3.5 set of the Paper sets out the expectations of an Elected Member of an authority. These include mandatory training, participation in community governance, the holding of surgeries, attendance at committees to which they are appointed, to be accessible to the public through e-mail and social media and to hold the executive to account through scrutiny. Elected Members should be required to produce annual reports. Elected Members failing to fulfil their duties satisfactorily could be required to appear before the Standards Committee. Members upon whom sanctions had been imposed could be subject to recall.



- 4.9 Chapter 4 sets out a new relationship between local authorities and local communities. The Paper suggests new area governance arrangements giving a prominent role to elected members. Paragraph 4.5 sets out a preferred option of a national framework requiring local authorities to put in place community governance systems. These arrangements would include 'Area Boards'. Legislation is proposed to ensure local authorities establish Area Boards. These would be member led but would include guaranteed roles for community bodies, the third sector, community councils and other public services. These Boards would have delegated to them certain responsibilities and budgets.
- 4.10 The Paper proposes that there be fewer, larger, community councils and local authorities should review community councils within their areas to achieve this by 2022. Community bodies would be given a number of rights which they can exercise in relation to services and assets. A community body would be defined as voluntary sector organisation, co-operative, mutual, social enterprise and certain community councils.
- 4.11 Chapter 6 deals with corporate governance and improvement. The Paper suggests the repeal of Part 1 of the Local Government (Wales) Measure 2009 which placed a duty on local authorities to secure continuous improvement, set improvement objectives and publish plans for achieving this improvement each year. The Wales Audit Office produces an annual assessment of whether an authority has achieved its planned improvements and has the capacity to improve further. The 2009 Measure also gives the Welsh Ministers powers to offer support to failing authorities and to intervene when necessary. The Paper suggests that a more risk based approach to improvement and innovation would allow authorities to respond more quickly and effectively to the challenges they face. The Paper also proposes the inclusion of specific improvement duties for the Chief Executive and strengthening local authorities' internal accountability processes. The Paper seeks views on whether any aspects of Part 1 of the 2009 Measure should be retained within new legislation.
- 4.12 Paragraph 6.4 of the Paper suggests strengthening local authorities' corporate governance arrangements including the role of the Audit Committee. The Paper proposes amending the Local Government (Wales) Measure 2011 to clarify the functions of Audit Committees, call them Corporate Governance and Audit Committees, expand their independent membership, and requiring that they be chaired by independent persons. The Chief Executive would be required to undertake an annual self-assessment of the authority's corporate governance and performance, provide and publish a report to the Leader on matters of concern, actions taken in response to reports of the Audit Committee, self-assessment and peer review. The Chief Executive should also make arrangements biannually for a peer review to provide challenge to the self-assessment process. The peer review would be conducted by current and retired members and senior officers from other authorities, professionals in

areas such as law, IT, HR and finance, and suitably qualified individuals from the private and third sectors.

- 4.13 The Paper suggests Welsh Ministers retain powers of intervention when there are failings within specified areas such as social services or education. They should have power to commission independent reviews of the corporate governance of local authorities. These reviews would inform Ministers' decisions on whether to offer support or undertake formal intervention.
- 4.14 Chapter 7 deals with performance. Paragraph 7.2 suggests that long term well-being goals for Wales will be set by the National Assembly for Wales under the Well-being of Future Generations (Wales) Bill. Local authorities and other public services would align their objectives to the achievement of these national goals. The local well-being plan will set out the collective public service plan for an area, developed by the Public Services Board. The Leader's manifesto as referred to earlier will set out the local authority executive's political priorities and the Chief Executive will produce a corporate plan to put these priorities into effect. The council will no longer approve the corporate plan. The council will approve the budget and its committees and the executive will be required to scrutinise the senior management team on delivery of their objectives through the corporate plan. This plan would be a source of evidence for the Auditor General in routine auditing of local authorities and a tool for Scrutiny Committees to challenge the executive.
- 4.15 Chapter 7 also proposes a new approach to performance data with fewer, more meaningful measures. The corporate plan will include a standardised set of performance outcomes and measures. The Paper seeks views on the use of minimum standards and financial penalties for non-compliance with such standards.
- 4.16 Chapter 7 also proposes a requirement that all full council and cabinet meetings be broadcast online as well as encouraging the broadcasting of other committees. It also proposes a duty to have arrangements for the public to make their views known on any open agenda items of the council, the cabinet or any committees of the authority.
- 4.17 Chapter 7 proposes a requirement on all local authorities to establish a streamlined online complaints process and a statutory duty to provide a regular report on complaints to the Corporate Governance and Audit Committee.
- 4.18 Chapter 8 deals with the review function of scrutiny committees and external regulators. The changes proposed are to require authorities to set out 'key decisions' that will be considered in order to enable better planning of scrutiny. The Paper also suggests strengthening Scrutiny Committees' forward planning, requiring external review bodies to share information with each other and local Scrutiny Committees, requiring external review bodies to co-ordinate their work and produce a combined assessment of each Local Authority every two years and a joint annual assessment of the state of local government in Wales.

4.19 Chapter 9 deals with the reform of local government finance. The first phase will identify and implement the changes needed to effect the merger of authorities. The next phase will consider more fundamental changes to the way local government is funded to include looking at the balance between funding which is provide centrally and that which is generated locally through local taxes and charges. This is expected to lead to a further White Paper after the next Assembly Elections in 2016.

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

5.1 The decision does not impact directly on the Corporate Priorities.

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

6.1 Responding to the consultation will not incur any additional cost.

**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.**

7.1 There is no requirement for an Equality Impact Assessment.

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

8.1 The Paper has been discussed by the Chairs and Vice Chairs of Scrutiny, in particular with regard to Chapter 8 which deals with scrutiny issues. The Paper has also been discussed by the Democratic Services Committee with particular emphasis on Chapter 3. The Paper will be the subject of a report to Full Council.

**9. Chief Finance Officer Statement**

9.1 There are no additional costs involved in responding to the consultation. Any proposals emerging thereafter through either legislation or government guidance would need to be considered individually to assess the cost and organisational implications.

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

10.1 The risks of not responding to the consultation is that the Council's view will not be taken into account when Government considers the legislation that will be enacted in respect of the proposals contained within the Paper.

**11. Power to make the Decision**

11.1 Section 111 Local Government Act 1972.

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Devolution,  
Democracy and  
Delivery

# White Paper Reforming Local Government: Power to Local People

Date of issue: 3 February 2015  
Responses by: 23:59 on 28 April 2015

**Overview**

The White Paper 'Reforming Local Government: Power to Local People' is the Welsh Government's statement of intent about the future of Local Government in Wales.

The White Paper sets out the Welsh Government's proposals for reform in the following fields: local democracy, the roles and remuneration of Elected Members and senior officers, community governance and Community Councils, community rights, corporate improvement, service performance, scrutiny, audit, inspection and regulation, and finance.

**How to respond**

This consultation covers a large number of matters. Many are of interest to the general public but some are technical in nature and may only be of interest to Local Authorities. We have designed a web-based consultation survey to make collecting and analysing responses easier. It can be found at:

<http://wales.gov.uk/consultations/localgovernment/power-to-local-people/?lang=en>

You may choose to address all the issues raised by this White Paper or to complete a shorter version of the survey which focuses on the main matters of public interest. You will be able to choose your preferred option when you start the survey. A Word version is also available but we strongly encourage respondents to use the online survey.

To respond to the consultation, please either complete the online form or request the accompanying questionnaire and return it either by email [RLGProgramme@Wales.gsi.gov.uk](mailto:RLGProgramme@Wales.gsi.gov.uk)

or by post to

Reforming Local Government  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

**Related documents**

This document is also available in a shorter, plain English version and a youth friendly version on the Welsh Government website. Large print, Braille and alternative language versions of this document are available on request.

## Data protection

### How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.





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## Ministerial Foreword – Our Vision for Local Government in Wales



If you visit the Gwent Archives at their magnificent new facility in the General Offices of the former steelworks in Ebbw Vale, you can read the minutes of the Tredegar Workmen's Medical Aid Society where Councillor Aneurin Bevan and his colleagues sought to put in place co-operative health solutions for their local community. These records are a reminder that at its best, Local Government in Wales has always had an activist nature, engaging co-operatively with local communities to find collective solutions.

We want all our Councils to be activist Councils, engaged in delivering modern, accessible, high quality public services with their communities. As we have developed our plans, we have looked at the best international experience, and drawn on the experiences of the co-operative councils movement in the UK. But we should never forget that Wales has always pioneered co-operative models, both in Aneurin Bevan's time and today. In 11 Local Authorities in Wales, tenants voted for community mutual or social enterprise solutions for the management of their social housing. The Social Services and Well-being (Wales) Act 2014 legislates for the creation of co-operative and mutual models in social care.

In this White Paper, we set out the terms of a new deal for Local Government in Wales. More than 15 years after the establishment of the National Assembly, it is time to recast the relationship between National and Local Government in Wales. Our new deal for Local Government, based on a smaller number of stronger Councils, will result in National Government in Wales setting a small number of clear national priorities, following the passage of the Well-being of Future Generations (Wales) Bill, enabling Local Government to determine with local people the bulk of local priorities.

We recognise that Local Government in Wales is currently under severe pressure as a result of UK Government austerity policies and rising demand for services. This is not an easy time for anyone in Local Government, whether they are Councillors or Council workers. It is therefore critical that we allow Local Government to focus on key priorities and learn from the best practice – tried and trusted as well as innovative – in improving the delivery of services across Wales.

Meanwhile, we must ensure local Councils are wholly representative of local communities. We need a far more diverse range of Councillors. There is a direct challenge to the leadership of Local Government to ensure this. Local Councils that reflect local communities are more likely to achieve the trust of those communities when difficult decisions have to be taken by local leadership. We should be making it easier for new people to enter Local Government at Town or Community and Principal Council level. We must ensure the system of allowances for Councillors does not mean that Cabinet Members and those with senior responsibility payments simply become another part of the paid bureaucracy. We should be seeking to reduce the cost of politics and management in Local Government.

At a time when public service organisations all around the world are learning that the old ways of doing things are not sufficient for the future, Wales has the opportunity to leap beyond others if our minds are open to the possibility. If we want to reshape our public services, and reshape our localities, then we need to see strong, adaptive leadership across all our public services, including Local Government.

We are ambitious for Local Government in Wales, and for our local communities. This White Paper sets out our vision for Local Government in Wales, and explains how we will take these proposals forward.

A handwritten signature in black ink that reads "Leighton Andrews". The signature is written in a cursive, flowing style.

**Leighton Andrews AM**  
**Minister for Public Services**



## 1. Power to Local People

This Chapter sets out the history and development of Local Government in Wales. This is the context for our vision of more inclusive and accountable Local Government which shares power and responsibility with the communities it serves. It reminds us that this is nothing new. There is a long history of community activism in Wales which the Welsh Government has consistently promoted and supported since 1999. While Local Government structural reform is necessary, it is not sufficient. 21st Century Local Government in Wales will require a new kind of political leadership which is not institutionalised as part of Local Authority bureaucracy, and democratic representation which is a more balanced reflection of the diversity of our communities.

Finally, this chapter gives a brief overview of the content of the remaining Chapters in this White Paper.

### 1.1 Introduction

Modern Local Government in Wales came into being at the end of the 19th Century, the culmination of a series of great Victorian reforms designed to bring order to ‘a chaos as regards authorities, a chaos as regards rates, and a chaos as regards areas’.<sup>1</sup>

The 1888 Local Government Act created County Councils in the ‘historic’ counties of Wales, formerly established by Henry VIII. The new Councils, elected by a new and extended franchise, brought the administrative powers of the Justices of the Peace, such as maintaining roads and bridges, jails, lunatic asylums and licensing, funded by levying county rates, under democratic control. The Police became the responsibility of joint committees of the Justices of the Peace and the new Councils.

Six years later, the 1894 Local Government Act created rural and urban District Councils which took on the powers of the sanitary boards and the Improvement Commissioners, including water supply, sewerage, street cleaning, paving, and providing markets and cemeteries. The Act also established civil Parish Councils which continued to provide relief for the poor through the Poor Law Unions but now under democratic oversight of Poor Law Guardians made up of Elected Members from the new District Councils. Together, these two acts set the foundations for modern Local Government in Wales.

Over the next 30 years, the County Councils took on more responsibilities, for secondary education in 1889, elementary education in 1902, and maternity and children’s services in 1918. District Councils expanded their operations in utilities and became major owners of local electricity, gas and water supply companies.

The first significant reform of the two tiers of Local Government came in 1929. The role of the County Councils was strengthened at the expense of the Districts. The Poor Law Unions and

<sup>1</sup> George Goschen, President of the Local Government Board, 1871, quoted in *British local government reform: the nineteenth century and after*, J.P.D. Dunbabin, *The English Historical Review*, Vol.92, No. 365

Guardians were abolished and the Counties were given responsibility for public assistance, infirmaries, hospitals and workhouses, along with all highways. They were also tasked with reforming the lower tiers of government, which led to a number of District Councils being abolished and many parishes merged.

The next 15 years were the most expansive for Local Government in Wales. The County and District Councils between them looked after the roads and pavements, they gave welfare to the poor and basic social services, they built municipal hospitals and schools and ran the education system, they provided vaccinations and maternity services, many provided gas and electricity through their own companies, they were responsible for water, sewerage and sanitation, and they regulated public protection, businesses and planning.

Following the War, nationalisation of key infrastructure and industries, combined with an increasing focus on achieving social equity sparked a wave of reforms, as part of which Local Government lost most of its responsibilities for health, social security and utilities. Nationalisation of electricity in 1947 transferred over 50 Local Authority supply companies in Wales to the new Electricity Boards. The following year all Local Authority owned gas companies in Wales were taken over by the Wales Gas Board, although Local Authority water supply companies would not be nationalised until 1973.

The creation of the National Health Service in 1948 transferred all municipal hospitals into the new NHS, although many community health services remained with Local Government until 1974. The setting up of a system of National Assistance in 1948 finally did away with the Poor Law of 1601. Principal Local Authorities lost their role in poor relief but gained responsibility for housing the vulnerable and new powers to help disabled people. It also transferred responsibility for people with mental health conditions to the new NHS.

As a result of these major changes to the functions of Local Government, by the early 1950s there was a growing consensus that further reform was needed. The Local Government map no longer reflected the urbanised population of the second half of the century. There were concerns with the inefficiency of small authorities, especially the rural Districts, but also municipal Boroughs which were seen to be inadequate for the growing towns and cities they served. This resulted in the setting up of a Local Government Commission for Wales in 1958. The Commission first reported in 1963 but was dissolved in 1967 with none of its recommendations implemented.

Reform was finally achieved through the Local Government Act 1972. This Act created a two-tier system in Wales of eight Counties and 37 Districts with a division of functions between them. Broadly speaking, the Counties were responsible for the major services such as education, social services, transport, roads and fire services, and the Districts for environmental health, refuse collection, housing, licensing, local planning and rate collection. Water and sewerage were placed in the hands of regional Water Boards. Policing had been reformed in the late 1960s with the creation of four constabularies in Wales but these remained under the supervision of Police Authorities comprising two-thirds Elected Members from the Counties and Districts until they too were abolished by the creation of directly elected Police and Crime Commissioners in 2012. The 1972 Act also abolished the Parish Councils in Wales and created Community Councils.

The 1980s marked a period of increasing National Government control of Local Government. The introduction of the block grant and rate capping were used to control Local Government expenditure and many services previously provided by Councils were outsourced through

compulsory competitive tendering. Council tenants gained a right to buy their properties at a discounted rate under the Housing Act 1980. This led to a wholesale reduction in public sector housing, damaging the ability of Councils to maintain their remaining stock. There was an attempt to reform Local Government finance with the introduction of the Community Charge in 1989/90, but in the face of massive public hostility this was replaced by Council Tax in 1993.

However, the two-tier system of Counties and Districts established in 1974, with frictions between the tiers, was soon regarded as a compromise solution that could not last. The Local Government (Wales) Act 1994 replaced them with a single tier of 22 unitary bodies known as Principal Councils.<sup>2</sup> The Act also removed the administration of the fire services from individual Local Authorities by creating three combined Fire and Rescue Authorities.

The Government of Wales Act 1998 created the National Assembly for Wales and enshrined a formal structural relationship between the new Government of Wales and Local Government in the form of the Partnership Council for Wales and the Local Government Scheme. Following devolution, the relationship between National and Local Government has grown organically in some respects but, despite the further devolution of powers and responsibilities to the Welsh Government, its formal relationship with Local Government is still set out as at Day 1 of devolution in 1999.

Since devolution, Local Government reforms have focused primarily on performance, that is, service and financial efficiency. The role of the Audit, Inspection and Regulation agencies increased through initiatives such as Best Value and the Wales Programme for Improvement. The Local Government Act 2000 brought in further reforms aimed at the internal organisation of Local Authorities which, in many respects, had not changed much over the preceding century. These reforms were designed to change Councils' traditional administration role into one of corporate management, to streamline decision-making in Local Authorities through the creation, ultimately, of an executive decision-making Cabinet held to account by committees of backbench Members. The 2000 Act also included provisions which recognised the community leadership role of Local Authorities and loosened some of the legal constraints on them by giving them the power to do almost anything which promoted the economic, social and environmental well-being of their areas.

In Wales, a number of Assembly Measures and Acts have put in place an improvement regime overseen by the Auditor General for Wales, simplified the process for making byelaws, and made provisions for strengthening local democracy and transparency. Other reforms have addressed the performance of major Local Government services. Significant reforms in education are aimed at transforming services which have too often failed Welsh children, while major legislation in the field of social services is aimed at safeguarding children and preparing these services for a rapidly ageing population.

More recently, attention has turned forcefully to the issue of how local democracy works in Wales. It is abundantly clear that those sitting in Council chambers across Wales do not adequately reflect the communities they serve. Diversity is not a marginal issue. It is critical for the business of Local Government and the keystone of effective democracy. While some Councils have made progress on actively giving communities and their own workforce a voice in decisions which affect them, many continue to approach this in a piecemeal way. This fails

<sup>2</sup> The terms 'Principal Councils' and 'Principal Local Authorities' refer to the 22 County or County Borough Councils. They do not include Fire and Rescue Authorities, National Parks Authorities or Town and Community Councils.

to recognise the role of Local Authorities as agents for change and the power of people to add hugely to the value of Local Government through social enterprise, community entrepreneurship and local leadership.

The aim of our current Local Government reforms, therefore, is to ensure Local Authorities fully embrace their role as community leaders, activists and agents of change, the makers and shapers of the places they serve, and to ensure they improve delivery and create better outcomes for their communities. The people of Wales deserve to be served by organisations fit for the 21st Century. The Welsh Government believes this can only be achieved by a radical reshaping of local democracy in Wales.

## 1.2 Democracy and Delivery

A recurring theme throughout the history of Local Government is the conviction that there is a tension between the competing demands of democracy and delivery: that democracy is most healthy when it takes place in a small area, and service delivery performs best when it is subject to economies of scale. This is a tired argument. Turnout at national elections is consistently higher than for Local Government elections and the greatest number of uncontested seats is in Community Council elections. And while economies of scale can certainly increase efficiency and value for money, effective services, especially preventative services, are often those which are more personalised and tailored.

The major reforms of Local Government in 1929, the late 1940s, 1974, 1996 and 2000 have all been turning points, requiring the renewal of Local Government in response to powerful external forces – changing demographics, rising social expectations and new technology. To these external forces, which continue to apply today, the acute financial challenges we now face add a new challenge for Local Government in Wales.

Local Government funding in Wales has fared as well as could be expected for most of the period of austerity. A three-year settlement in 2008-09 gave Local Authorities relative protection from subsequent cuts to the Welsh Government's budget in the latter part of the spending review period. The Welsh Government then protected Local Authorities from the worst of austerity between 2011-12 and 2013-14, whilst Councils in England suffered significant cuts. As the Welsh Local Government Association (WLGA) put it in *In Defence of Localism*, "it is fair to say that local government in Wales has received better revenue settlements than elsewhere during this period".

This protection gave Local Authorities in Wales the opportunity to renew themselves, to transform the way they worked, their relationship with partner organisations and the public and the way they delivered services. Many did not seize this opportunity. Therefore, leadership has not risen to the challenge, collaboration has stuttered, and parochial interests have prevailed. Transformation requires Local Authority leadership to ensure the focus at the centre of the Authority is on excellence in performance and change management, and service centres whose focus is innovation in design and delivery. Therefore, we have excellent service delivery blunted by lacklustre corporate centres, and excellent corporate centres undermined by conservative service delivery.

Structural change is necessary. The Commission on Public Service Governance and Delivery made the case compellingly that smaller Councils simply do not have the resilience, expertise or leadership capable of transforming their organisations or supporting their communities in a complex, changing world. The Welsh Government has accepted this case and will legislate



to bring it about. Fewer, larger Councils are necessary to strengthen democracy and delivery. However, we agree that to focus only on structure is to miss the point.

Local Government in Wales faces challenges of finance, culture and leadership. The democratic challenge is about Council chambers which reflect the diversity of the communities they serve, which are responsive to the community's needs and which see building social capital, in terms of community empowerment and resilience, as their core purpose. The delivery challenge is for Elected Members to assert accountability, challenge complacency and drive out mediocrity. This White Paper makes proposals which are intended to improve both democracy and delivery. It is the Welsh Government's role to put the best possible policy and regulatory framework in place and this is what we will do. However, in the end, it is the quality of leadership at all levels in Local Government which will make the real difference.

We expect that implementing the reforms we propose in this White Paper will deliver new purpose for, and greater innovation in, the design of Local Authorities in Wales. They will set out the role of Local Government in Wales for the next generation and, for those working in Local Authorities or aspiring to be Councillors, will create a framework where flexibility, innovation and opportunity are integral to serving communities and creating a relationship with them which is meaningful and respectful.

The history of the development of Local Government and, indeed, of Local Government legislation, predominantly concerns specific service delivery matters. This has led inevitably to corporate structures based on service silos which are now a relic of the past. These proposed reforms are intended to refocus our Councils on their place-shaping role. To do this, they need visionary leadership supported by adaptive and strategic corporate capability which is prepared, first and foremost, to embrace the challenge of change.

In the future, there will be much greater diversity in delivery through mutuals, in-sourcing, joint commissioning and community ownership. Managing this complex environment will require a different approach to local governance. This is not a licence or an encouragement for Local Authorities to wash their hands of some services, or not to care about some aspects of well-being in their area. Quite the opposite.

The purpose of our proposed reforms is to move decisions closer to the people of Wales in their local communities, to empower local people to secure better services, and to strengthen community engagement in decision-taking. At a time of austerity, Councils will need to engage more closely with local communities to identify shared purpose and shared expectations of what is feasible in service delivery.

### 1.3 Legislating for Change

In the previous White Paper, *Reforming Local Government*,<sup>3</sup> we set out our intention to bring forward two pieces of legislation. The first is the Local Government (Wales) Bill to allow for certain preparatory work to enable a programme of Local Government mergers and reform. This was introduced into the National Assembly on 26 January 2015. The second Bill will be published as a Draft Bill for consultation in the Autumn of 2015 and introduced into the Assembly in 2016, after the Assembly elections. The second Bill, based on the proposals in this White Paper, would complete the programme of Local Authority mergers and establish a

statutory Public Services Staff Commission. It will also contain a new and reformed legislative framework for Local Authority democracy, accountability, performance and finance.

In the longer term, there is a need for a more fundamental review of the funding of Local Government and it is likely separate legislation will be required to deal with these matters.

We asked preliminary questions on these issues in *Reforming Local Government* and we have listened to and considered your views. It is these elements which we turn our attention to in more detail in this White Paper, under the following headings.

#### 1.4 Balancing the Responsibilities of National and Local Government

We discuss the relationship between the different spheres of government in Wales and how this has developed since devolution in 1999. We clarify the role of the Welsh Government as setting standards and defining a limited number of national expectations. We establish that the Well-being of Future Generations (Wales) Bill sets a framework for the whole public service in Wales. We examine the role of Local Government as an agent of change in their locality, in their relationship with other public services and at the regional level, particularly city regions.

We set out our intention to legislate to complete the programme of Local Authority mergers. We intend to give a general power of competence to Local Authorities, and a power to ensure consistent provision of Community Councils or other democratic models of neighbourhood participation.

We are seeking views on whether the constitutions of Local Authorities could do more to articulate their values and relationship with local people.

We are also seeking views on whether there is a case, in the longer term, for undertaking a fundamental review of the body of Local Government legislation with a view to simplification, ensuring that it supports agile and activist 21st Century organisations.

#### 1.5 Renewing Democracy

For Local Government to operate effectively, there needs to be clarity about roles and responsibilities. Elected Members should closely reflect the diversity of voices and aspirations in the communities they represent.

We propose to set out in legislation the roles and responsibilities of the Leader, Cabinet Members, Elected Members and the Chief Executive. We will take further action to increase the diversity of Councillors. We will take action to reduce the cost of politics and management in Local Government and to bring more consistency to the appointment and remuneration of senior officers.

We are seeking views on whether the way we pay Elected Members at present is still appropriate, whether the number of terms an Elected Member may serve should be limited, and whether there should be a right of recall. We are seeking views on whether the restrictions which prevent some Local Authority officers from standing for election should be relaxed. Finally, we are seeking views on whether Local Government elections should continue to occur every four years or whether we should consider alternatives.

## 1.6 Connecting with Communities

At the heart of our vision for Local Government in Wales is a new relationship with local communities. We propose to achieve this by giving Elected Members a leadership role at the head of Area Boards within their Local Authorities, in order to ensure the new, larger Authorities are closer to their communities.

As part of this, we need to raise the ambition of Community Councils so they are better placed to deliver important community services in the future. This means building their capacity and capability, as well as strengthening their governance and their engagement with other services and the third sector. We propose to give a power to Local Authorities to review Community Councils in order to achieve these objectives, and to complete these reviews by 2022.

## 1.7 Power to Local Communities

In order to realise our ambition of Local Authorities which actively share power and responsibility, we will set out the role we see for mutualism, co-operation and shared ownership in the transformation of public services. We set out the way in which communities can engage with Local Authorities in joint endeavour and how people can protect land and property of community value for the future. We intend to achieve this by giving community bodies a number of rights which they can exercise in relation to services and assets.

## 1.8 Corporate Governance and Improvement

We believe visionary and focused leadership is the most important factor in ensuring Local Authorities are able to provide sustainable outcomes for local areas. To achieve this, Councillors must be supported by a capable, adaptive and strategic management team. We discuss how Local Authorities might be best supported to improve their leadership capacity and capability.

We propose the following changes:

- strengthening the role of Local Authority Audit Committees;
- repealing Part 1 of the Local Government (Wales) Measure 2009;
- introducing a system of annual self-assessment, complemented by biennial peer-review, to support Local Authorities in improving their corporate capability and capacity; and
- giving Welsh Ministers powers to commission independent reviews of Local Authority corporate capability and capacity, and, dependent on the findings, to take action to support change and improvement.

We also ask for views on whether there are any elements of the 2009 Measure which should be restated within the new arrangements, and whether they can be strengthened.

## 1.9 Performance in Local Government

We discuss the management and improvement of service delivery in Local Authorities. Key to this is effective corporate planning to inform decisions and policy development. We consider the importance of management information and data in service planning, performance management and assessment by Scrutiny Committees, the public, external review bodies and other stakeholders.

We propose the following changes:

- A statutory requirement for all Local Authorities to produce and publish a corporate plan which covers the short, medium and long term. This will be complemented by a requirement for the Local Authority to produce an Annual Report setting out its performance over the preceding year. The corporate plan and Annual Report will incorporate the Authority's well-being objectives, as intended by the Well-being of Future Generations (Wales) Bill.
- The creation of a single online information portal where comparable information will be published regarding the performance of all Local Authorities, as well as other key documents such as the corporate plan, self-assessment, peer review and inspection reports.
- A statutory requirement for all Local Authorities to have an online (and offline) complaints process. We will require Local Authorities to publish information (where appropriate) on complaints, including how complaints have been considered and action taken.

### 1.10 Strengthening the Role of Review

We will discuss the role of scrutiny by Elected Members (internal review) and audit, inspection and regulation bodies (external review) in supporting Local Authorities to deliver better outcomes for local areas. We do not believe internal and external review processes work together well enough. We discuss how we will strengthen internal review to ensure it has more impact on Local Authority decision-making. We also discuss the benefits of sharing information between the different external review bodies and with internal reviews.

We propose the following changes:

- Requiring Local Authorities to set out regularly 'key decisions' they will be considering so as to enable internal review to be planned more effectively.
- Strengthening Scrutiny Committees' forward planning by requiring them to make reference to 'key decisions' and corporate plans, as well as setting out what they intend to scrutinise and who they will engage with in doing so.
- Requiring external review bodies to share information with each other and with local Scrutiny Committees.
- Requiring external review bodies to coordinate their work in respect of Local Authorities and produce a combined assessment of each Local Authority every two years.
- Requiring external review bodies to produce a joint annual assessment of the state of Local Government in Wales.

We also ask for views on whether we should take further steps to protect the independence of the Democratic Services functions and the support they provide for Elected Members' scrutiny responsibilities.

### 1.11 Reforming Local Government Finance

We set out how the funding of Local Government will need to change to support the reforms outlined elsewhere in this paper and to provide a more effective framework for funding

authorities. We also discuss the need for clearer financial governance and accounting arrangements and how these may be simplified in the future.

We propose a phased approach to developing a Local Government finance system fit for the new Authorities, which in the shorter-term will include the necessary changes to effect mergers and the reforms proposed in this paper.

In the longer-term, we intend to consult on and bring forward further legislation to effect more fundamental changes to the Local Government finance system. The longer-term approach will enable us to design a system which takes account of wider changes to the powers and fiscal responsibilities of the National Assembly for Wales and allows Local Authorities to raise more of their finance themselves.

### 1.12 Conclusion

This is a significant programme of Local Government reform which is justified by the magnitude of the financial, social and technological change we are currently facing. It is the beginning of a new era in the history of Local Government in Wales.

Our proposed legislation will support and enable, but Local Authorities will need to act for themselves and work with communities and the Welsh Government to begin the process of reform now. This is our opportunity together to create new Local Authorities with a philosophy and purpose fit for the 21st Century. We believe this is best achieved in partnership with Local Government and the people of Wales.

## 2. Balancing the Responsibilities of National and Local Government

This Chapter discusses the relationship between the different spheres of government in Wales and how this has developed since devolution in 1999. We clarify the role of the Welsh Government as setting standards and defining a limited number of national expectations. We establish that the Well-being of Future Generations (Wales) Bill sets a framework for the whole public service in Wales. We examine the role of Local Government as an agent of change in their locality, in their relationship with other public services and at the regional level, particularly city regions.

We set out our intention to legislate to complete the programme of Local Authority mergers and discontinue the use of the name 'County Borough'. We intend to give a general power of competence to Local Authorities, and a power to ensure consistent provision of Community Councils or other democratic models of neighbourhood participation.

We are seeking views on whether the constitutions of Local Authorities could do more to articulate their values and relationship with local people.

We are also seeking views on whether there is a case, in the longer term, for undertaking a fundamental review of the body of Local Government legislation with a view to simplification, ensuring it supports agile and activist 21st Century organisations.

### 2.1 Introduction

If Local Government in Wales is to deal with the challenges of this generation and the next, we believe reform is needed in every aspect of its operation. Delivering this transformation begins with clarifying the role of Local Government as part of the system of government in Wales, and its relationship with Welsh Government within an evolving devolution settlement.

At the heart of this relationship, as in all countries with local and national governments, is the extent to which Local Government makes its own decisions and is accountable to local people, and the extent to which it is exercising responsibilities on behalf of National Government and so subject to oversight. In terms of Local Government, improvement and reform should be based on both a pull from the public as much as a push from National Government.

The Welsh Government sets national policy and strategic direction for key services such as education, social services, waste and planning. It does this because in these important areas, people and families across Wales are entitled to the same high standards of service wherever they live. For these services, the people of Wales rightly expect the Welsh Government to set standards and monitor performance. Where these standards are not met, Local Government must be held to account and the public expect the Welsh Ministers to intervene to put things right, and to do so swiftly and decisively (see 6.6 below).

The same is true of the way Local Government makes decisions to spend public money and the way it runs its affairs. In the first instance, it is the responsibility of local Councillors and

their officers to ensure their Council is run with integrity, honesty, fairness and transparency. In general, this happens across Wales. Where this is not the case, the remedy will often be through the courts but in some circumstances, the Welsh Ministers will have a duty to intervene on behalf of local people to protect their interests and restore trust in local democracy.

In other areas, however, people want much more choice about their local priorities. What's right for Anglesey may not be right for Pembrokeshire. And what's right for the people of Milford Haven may not be right for the people of Crymych. In these circumstances, Local Government must be accountable to local people for the decisions it makes and local people must be empowered to make this happen. This principle of subsidiarity extends to the responsibility of Local Government to ensure the efficient and effective provision of community government (see 4.8 below).

## 2.2 Local Government and Devolution

Both National and Local Government in Wales have a responsibility to provide the leadership necessary to serve the people of Wales well in a constantly changing political, legal and constitutional environment.

Prior to the establishment of the National Assembly in 1999, Wales was represented in the UK Government Cabinet by a single Secretary of State in the Welsh Office. From the inception of the Assembly, there was a much closer relationship between the Welsh Ministers and Local Government leaders.<sup>4</sup> Today, most Ministers in the Welsh Government have portfolio responsibilities which bear on Local Government.

The Government of Wales Act 1998 recognised that, because of the nature of the devolution settlement at the time, the Assembly and Local Government would need to work in partnership. It achieved this by creating a statutory Partnership Council for Wales made up of Assembly and Local Government Elected Members, and a Local Government Scheme, in which the Assembly must set out how it proposes to sustain and promote Local Government in Wales. In due course, these became responsibilities of the Welsh Ministers.<sup>5</sup>

This partnership approach has been acknowledged in other ways too. Recognising the potential for confusion over lines of responsibility between the Assembly and Local Government, a number of policy statements and agreements were concluded over the years: *Freedom and Responsibility in Local Government (2002)*, *A Shared Responsibility (2007)* and *A Compact for Change (2011)*.

Performance management is central to this relationship: *"The way in which local government performance is defined, assessed and reported goes to the heart of central-local relations"*.<sup>6</sup> Therefore, since the first Assembly, Welsh Government and Local Government have worked together to develop an approach to Local Government performance and improvement management which currently includes the Local Government (Wales) Measure 2009 and grant incentivised Outcome Agreements.

<sup>4</sup> *A new partnership? The National Assembly for Wales and Local Government*, Laffin, Taylor and Thomas, Joseph Rowntree Foundation, 2002

<sup>5</sup> For further information on the Partnership Council, including membership and papers, see <http://wales.gov.uk/topics/localgovernment/partnership/pcfww/?lang=en>

<sup>6</sup> *Learning to Improve: An Independent Assessment of the Welsh Government's Policies for Local Government, 2007-2011*, Cardiff Business School, Welsh Government Social Research, 2013 <http://wales.gov.uk/statistics-and-research/7945310/?lang=en>

Responsibility for effective performance and delivery rests squarely with Local Authorities, as does responsibility for service or corporate failure. Too often, neither the Executive, senior management nor scrutiny have addressed problems before they have become failures identified through audit or inspection. This has led to interventions directed by the Welsh Ministers. While it is difficult to see that the public would accept anything less in extreme circumstances, intervention as a consequence of audit and inspection should be the last line of defence, not the first. The root of the matter is the failure of local leadership to put in place effective governance, improvement and performance controls. Chapters 6 to 8 below set out our proposals for strengthening performance and improvement management in Local Government.

As the governance of Wales continues to develop and mature, and with further devolution of powers to the Assembly in the pipeline, it is time to rethink relations between National and Local Government. We are in a very different position from 1999.

### 2.3 Present Role of Local Government

We set out in Chapter 1 how the responsibilities of Local Government have changed over the years. Access to health services, welfare, standards of education or supply of clean water were once considered purely local matters. This is no longer the case. They are matters of national interest and in some cases are best now delivered by national or regional organisations. The question of what is best delivered locally, regionally or nationally will change over time, as society changes, as expectations change and as technology transforms the way we live our lives.

Today, Local Authorities exercise a range of powers to improve well-being in their areas. For example:

- **Mandatory powers:** the things Local Government must do, such as education, social services, safeguarding children, waste collection and disposal, housing, development planning, library services, environment and local transport.
- **Discretionary powers:** these are things Local Government may do, such as promoting economic development, the arts, culture, leisure, sports and tourism.
- **Regulatory powers:** this is how Local Government protects the public through services such as trading standards, environmental health, and the licensing of alcohol sales and consumption, taxis and other activities.

The responsibilities of Local Government are laid out in statute but they are not fixed. Rather, they are fluid, they can and do change over time. It is reasonable and necessary to ask from time to time whether some of these services may be better delivered in a different way. In education, for example, the needs of each individual child are unique, but the educational entitlements of children in Flintshire and Monmouthshire are not. Education must be delivered locally, in schools staffed with local teachers, but there is less reason to presume educational services should not be commissioned regionally or nationally. The same could be said for other services, such as social services or waste.

No vision for the future of Local Government in Wales can be reduced to a single set of responsibilities or a simple supposed autonomy. The single most important factor for Local Government in Wales to be successful in the next generation is the quality of leadership. Legislation is not the solution for securing quality leadership, but we can legislate to ensure the Leaders of Local Authorities have every opportunity to exercise their leadership effectively, and to ensure effective support is available to enable them to develop and grow as leaders.



## 2.4 Working Together

Over recent years, there has been increasing recognition that if we are to tailor services around individuals, public service providers need to work together and with providers from other services and the third sector, breaking down unnecessary barriers, and breaking out of traditional silos. The ‘Team around the Family’ is one such example. This model brings a wide range of professionals together to work with a family in order to help it address the breadth of challenges it is facing. The focus is on working with the family as a whole; parents, carers and the wider family play a central role in the whole process. We need to bring this style of approach to different services to ensure organisations work together to meet people’s needs.

The Well-being of Future Generations (Wales) Bill seeks to address this by requiring public bodies to take into account the need to take an integrated approach and to work collaboratively in order to find shared solutions for people and communities. Local Government exercises many powers but often it must do so in partnership. This is essential as we focus increasingly on working with people before they find themselves in difficulty or crisis, or before their health has deteriorated seriously as the way to improve people’s lives, prevent harm and reduce unnecessary demand for costly services.

The main public services currently come together through the Local Service Board, under the leadership of the Local Authority, to develop a single integrated plan for their area. This enables partners to agree their common objectives, in other words, their strategic priorities for tackling inequality and improving well-being in the area. This is crucially important to make sure everybody is pulling in the same direction and understands what their role is.

On a day to day basis, however, the responsibilities for working together fall to managers and front-line staff. Looking after our ageing population means Local Government and the NHS working together as one team. Making our communities safe places to live can only happen if Local Government, the Police and others work closely together on issues such as anti-social behaviour, safeguarding children, preventing young people from going missing, traffic control, and managing town centres during major events and festivals. Since major services are often provided by third sector bodies, they too need their place at the table.

Public services also need to work together behind the scenes, to make services more cost effective, for example, by coming together to share their purchasing powers through the National Procurement Service, so the goods and services they all use can be bought at the best price – such as ICT, vehicles, energy, construction and professional services. Coordination of delivery is improving but there is still a long way to go. The Well-being of Future Generations (Wales) Bill will put Public Services Boards and local well-being planning on a statutory footing. Other Acts of the Assembly, such as the Social Services and Well-being (Wales) Act 2014, put specific requirements on Local Government to work with partners to deliver services for particular groups.

This will build upon and strengthen work which is already underway – such as that being led by the Minister for Economy, Science and Transport to develop further the opportunities which can be gained from working with and across Local Authorities to coordinate work on economic development and provide a better service to business.

Working in partnership is hard. It requires trust between leaders, managers and front-line staff in different organisations. People need to develop new skills and to understand service users’ needs, and those of their families or carers, in great detail. There are practical issues around

sharing information, making systems talk together and finding effective ways to refer people between organisations seamlessly. There are management challenges when staff from different organisations are located together in the same place. There are governance and financial issues because working together challenges the way we manage public money, for instance when action by one organisation reduces the costs to another. It requires new ways of holding public services to account through democratic scrutiny, not just for what each organisation has done, but how they have acted together in the best interests of the public.

Local Government plays a central role in this landscape. Its democratic legitimacy and place-shaping role give Local Government the leadership authority to convene partners, broker relationships and solve problems.

## 2.5 Regional Working and City Regions

In addition to working with other services within a local area, Local Government must increasingly provide leadership and exercise powers beyond individual Local Authority boundaries, as a regional agent of change.

This regional working is already happening in the commissioning of both front-line and back office services, such as social services, adoption and fostering services, services for reducing youth offending and substance misuse, services for missing children, highways, legal and professional services. The Welsh Government expects this trend to continue, with some shared services being commissioned nationally or regionally for the whole of the public sector, where this makes financial sense, and this could also include the development of virtual shared services and virtual back-offices. In section 8.6 we discuss accountability arrangements for regional collaboration.

Following the Hill Review<sup>7</sup> on the future structure of education services in Wales, the Welsh Government developed and agreed a national model for regional working. This has led to education school improvement services being delivered on a regional basis via four consortia rather than 22 individual local authorities. We expect this to lead to improved capability and capacity at senior level and produce savings to be directed to the front-line or directed to supporting education activities.

The regional role of Local Government is of particular importance in the context of the Welsh Government's city regions approach.

Urban development and the growth of cities is the most significant feature of the global economy in our generation. Since 1950, the population of urban areas has grown more than five times, from 746 million to 3.9 billion.<sup>8</sup> 54% of the world population now lives in urban areas, a proportion which is expected to reach 66% by 2050. Meanwhile, the growth of the rural population is expected to decline after 2020.

There is growing evidence that investing in the largest cities, such as London, at the expense of second cities, including those in Wales, results in reduced economic performance overall

<sup>7</sup> Review of Future Delivery of Education Services in Wales, Welsh Government, 2013

<http://wales.gov.uk/topics/educationandskills/publications/guidance/futuredelivery/?lang=en>

<sup>8</sup> World Urbanization Prospects, 2014 Revision, UN Department of Economic and Social Affairs <http://esa.un.org/unpd/wup/>

and exacerbates regional inequalities, especially at times of economic downturn.<sup>9</sup> The ‘core cities’ group<sup>10</sup> in the UK includes Cardiff. These ‘core cities’ are centres for regional economic prosperity, with their surrounding region dependent on them but also providing them with a mobile workforce and an attractive hinterland. They all feature high levels of deprivation, either within the cities themselves or the surrounding region, a legacy of unbalanced investment following previous cycles of industrial growth and decline. With new investment, these second cities are expected to be the main source of new jobs and growth in the next generation.

In Wales, the urban population is concentrated in the south with smaller centres along the North Wales coast and in North East Wales. There are no towns with a population over 25,000 in mid Wales, or west of Colwyn Bay in the North or west of Llanelli in the South. The Welsh metropolitan cities (which have developed alongside the historic cities of St Asaph, Bangor and St Davids) are Cardiff (population 350,000), Swansea (240,000) and Newport (146,000). In North East Wales, the larger Wrexham urban area has a population of just 66,000 but can be considered part of a wider cross-border urban region which includes Deeside, Chester and the Wirral.

According to the City Regions Task and Finish Group established by the Welsh Government to investigate city regions in Wales, our cities generate only 33% of our wealth, which is significantly the lowest proportion of all UK nations and regions.<sup>11</sup> However, almost 69% of the Welsh population lives within the city regions identified by the Task and Finish Group in Swansea Bay (700,000) and South East Wales (1.4 million), and there is significant potential for improving economic performance in these areas with appropriate policies.

The Task and Finish Group considered there would be three main advantages to establishing two city regions in South Wales, with parts of North East Wales considered part of a wider, cross-border region:

- Larger and more efficient labour markets, so the chances of a good match between employer needs and workers’ skills are increased.
- Larger potential markets for goods and services because of the concentration of activity and transport cost savings; and a greater exchange of knowledge, ideas and innovation.
- A city region approach would make it possible for different parts of the region to decide to specialise in a particular offering – whether housing, manufacturing facilities, business services or leisure facilities.

The Task and Finish Group identified that the key to improved economic performance in these regions is the integration of economic development, skills, regeneration, transport, planning and the environment. This will require the Welsh Government, Local Government and the private and third sectors to work closely together.

To enable this, the Welsh Government has taken a lead role by acting upon the recommendations of the Task and Finish Group. City Region Boards have been established in the Swansea Bay City Region and the Cardiff Capital Region to take this agenda forward.

<sup>9</sup> See, for example, European Second Tier Cities in Austerity: Why Invest Beyond the Capital?, Liverpool John Moores University, 2012 <https://ljamu.ac.uk/EIUA/second-tier-cities/index.htm>

<sup>10</sup> <http://www.corecities.com/>

<sup>11</sup> <http://wales.gov.uk/topics/businessandconomy/policy/city-regions/?lang=en>, Welsh Government, 2012

These Boards are continuing to meet on a regular basis and are making good progress in providing their respective regions with leadership, vision, and strategic direction. They will continue to focus and refine their priorities as they seek to home in on those projects where regional alignment and collaboration brings strategic and added value.

These arrangements reflect the fact the City Regions agenda is not a business as usual, public sector agenda. It requires a collaborative and business-led partnership – connecting the private sector with the public and education sectors. It requires a different order of leadership, one which looks beyond parochial interests, willing to trade benefits and costs across boundaries, moving at the pace of the fastest, not the slowest. Local Authorities must work together and with their partners on matters such as the regional strategic development plan proposed under the Planning (Wales) Bill, education and skills, and making our cities and their surrounding regions attractive places for residents, visitors and business investment, using the extensive powers at their disposal.

It is not the intention of the Welsh Government at this time to enable the creation of Combined Authorities under the Local Democracy, Economic Development and Construction Act 2009. There are currently five such Authorities in England: Greater Manchester, Sheffield City Region, North East, Liverpool City Region and West Yorkshire, with a further Combined Authority proposed for Birmingham in 2015. Local Authorities in Wales already have extensive powers to enter into collaborative arrangements with other Authorities. Taken together with the creation of larger Local Authorities, the framework of the Wales Infrastructure Investment Plan and the closer proximity of National Government to Local Government in Wales, the Welsh Government does not believe there is currently a need for Combined Authorities in Wales, as defined under the 2009 Act.

## 2.6 A Sustainable Framework for Public Services in Wales

The Well-being of Future Generations (Wales) Bill sets a new context for relations between National and Local Government, and the whole of the Welsh public service. The Bill provides for well-being goals setting a framework within which the Welsh Ministers will set national strategic direction and Local Government will set its local objectives, responsive to local need and subject to local accountability.

The Bill underpins the public service reform agenda, clearly setting out how the specified public bodies, including the Welsh Ministers and Local Government, will work to improve national and local economic, social and environmental well-being. It directly addresses the issue of function, not form, establishing five ways of working key to public bodies improving well-being in a sustainable manner:

- Long-term thinking – balancing the need to take action in the short term with the need to meet the long term needs of Wales, especially where short term actions may have a detrimental effect in the future.
- An integrated approach – considering how a public body's objectives impact upon the well-being goals and on economic, social and environmental well-being.
- Preventative action – taking action now in order to prevent problems occurring or getting worse.
- Collaboration – acting collaboratively with other bodies to assist in the achievement of the body's objectives, or another body's objectives.

- Involvement – involving the people and communities whose well-being is being considered and engaging them in finding sustainable solutions.

The Bill strengthens the community leadership role of Local Government by placing an emphasis on collaboration around place. It will require public services in a Local Authority area to work together through the Public Services Board to improve local well-being. Ambitious Councils will use the Board to drive forward the radical transformation which is needed across public services by fully engaging with the community. Most importantly, both Local Authorities and Public Services Boards are subject to local accountability for their responsibilities under the Bill. There are no negotiated agreements with the Welsh Ministers and Ministerial intervention is limited to extreme circumstances.

The Local Government (Wales) Measure 2009 linked together local priorities in the community strategy with Local Authority corporate and service improvement. The Well-being of Future Generations (Wales) Bill will supersede this by providing a more integrated and streamlined, whole public service approach.

The Bill paves the way for Local Government to act with greater autonomy, measured on the outcomes it achieves, and reporting on fewer indicators. However, autonomy needs to be balanced with appropriate accountability. This White Paper sets out how we intend to achieve this through greater transparency of decision-making by Local Authority Cabinets (Chapter 3), a stronger role for Elected Members (Chapter 4), giving communities a greater say in how and by whom services are delivered (Chapter 5), strengthening corporate governance (Chapter 6), more effective performance management (Chapter 7) and better joining up of internal and external review through inspection and audit (Chapter 8). We also discuss a new finance framework for Local Government (Chapter 9).

We hope these improvements assist local leadership to get a grip on issues before they become crises. We do not believe the public deserves anything less than top quality, proactive local leadership which thinks ahead and takes decisive action. However, should failures still happen, and where local leaders fail to take corrective action, the public will continue to expect the Welsh Ministers to intervene, swiftly and decisively.

We propose a better-defined relationship between National and Local Government, with a clearly defined leadership role for the Welsh Government in the fields of education, social services, economic development and the environment, based around a limited number of national expectations concerning the social, economic and environmental well-being of communities. For example, in the field of education, these might be expressed as the expectation that young people leaving primary school will have literacy and numeracy levels appropriate to their age, and at secondary school, a rising proportion of young people will gain five good GCSEs including English or Welsh and Maths, and the gap between pupils in receipt of free school meals and other pupils will be closed. In other areas, while Welsh Government may set clear aspirations, it will be for Local Government to determine local priorities.

We believe we already have evidence in Wales that the process of setting straightforward national expectations has resulted in improved performance and responsiveness to the needs of local communities and service users. The development of the Welsh Housing Quality Standard (WHQS), for example, led to ballots where tenants in half of Welsh Local Authorities opted to transfer the Local Authority housing stock to Community Housing Mutuals or other social enterprises in the form of Registered Social Landlords. In those Authorities, faster progress has been made on average in achieving WHQS standards, generally three to five years earlier, resulting

in real benefits for tenants. Many of those Community Housing Mutuals and Registered Social Landlords have themselves been a spur to local employment and wider range of community benefits, the creation of further social enterprises engaged in environmental management, community energy purchasing or town centre regeneration. They have also been able to leverage significant sums of alternative finance for the renovation of their own stock.

There is a similar situation with regard to waste. Local Authorities are responsible for collecting and processing all domestic waste but targets are set nationally. Under our *Towards Zero Waste* strategy, the Welsh Government has invested £676 million since 2001 in Local Authorities to help them deliver against recycling targets, helping to save on landfill costs and generate new jobs in Wales. Their progress has been impressive and the overall rate of recycling has roughly doubled in the space of seven years. From a poor position relative to the rest of the UK, recycling in Wales is now ahead of the other home nations by a wide and growing margin. Wales is also fourth in Europe for municipal recycling. There are already 10,000 jobs in Wales directly related to recycling. This has been achieved by a combination of investment, targets, the risk of fines and behaviour change.<sup>12</sup>

The Partnership Council for Wales and the Welsh Government's Local Government Scheme will play an important role in taking forward this agenda for public services in Wales. However, we propose that our focus within the Partnership Council and the Local Government Scheme should switch to the assessment of the key national expectations and strategies for delivering these as a single public service, and the management of developing collaborative practice between Local Authorities, in partnership with the wider public service in Wales. In the provision of corporate services such as back-office functions, procurement, ICT, human resources, and payroll, there will be a general expectation of collaboration. The Partnership Council will have a key role in fostering innovation and driving forward progress on the public services reform agenda.

## 2.7 Local Authority Areas

The Commission on Public Service Governance and Delivery recommended reducing the number of Local Authorities in Wales through a series of mergers. The arguments for this recommendation and supporting evidence were set out extensively in the Commission's Report. The Welsh Government accepted these arguments in a White Paper published in July 2014, *Devolution, Democracy and Delivery: Reforming Local Government*. The White Paper set out the Welsh Government's current preferred option, to merge Local Authorities on the basis of the Commission's Option 1, which would result in 12 new Authorities.<sup>13</sup>

170 responses were received to the White Paper consultation. The consultation responses and a summary report have been published on the Welsh Government's website.<sup>14</sup> While there are different views about the mergers, not least from some Local Authorities and the Welsh Local Government Association, there is also widespread conviction that reform is necessary. This reinforces the evidence given to the Commission. The Welsh Government has taken these

<sup>12</sup> <http://wales.gov.uk/about/cabinet/cabinetstatements/2014/recycling/?lang=en>

<sup>13</sup> Option 1 as set out by the Commission on Public Service Governance and Delivery, would involve merging the following Local Authorities: Gwynedd/Anglesey, Conwy/Denbighshire, Flintshire/Wrexham, Ceredigion/Pembrokeshire, Neath Port Talbot/Bridgend, Rhondda Cynon Taf/Merthyr Tydfil, Blaenau Gwent/Torfaen/Caerphilly, Monmouthshire/Newport, Cardiff/Vale of Glamorgan. The following Local Authorities to continue: Powys, Carmarthenshire, Swansea.

<sup>14</sup> <http://wales.gov.uk/consultations/localgovernment/white-paper-reforming-local-government/?lang=en>

views into account and remains firmly of the view both structural and organisational reform of Local Government is necessary.

In September, the Welsh Government issued an *Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger*.<sup>15</sup> The Welsh Government received three expressions of interest from the following Local Authorities: Conwy and Denbighshire; Bridgend and the Vale of Glamorgan; and Blaenau Gwent and Torfaen.

The Welsh Government's intention is to proceed with mergers of Local Authorities, through the second Local Government Bill to be introduced into the National Assembly for Wales in Autumn 2016.

The second Bill will set out the following provisions to enable orderly mergers:

- the date a new Authority comes into existence, and its name and status;
- electoral arrangements for a new Authority, the date of first elections and the length of term of office for Councillors elected in first elections and thereafter;
- establishment, composition and functions of shadow Authority and shadow Executive;
- abolition of existing Authorities and standing down of Councillors of these Authorities;
- cancellation of elections to current Authorities;
- postponement of Community Council elections in areas affected by proposed merger and extension of terms of sitting Community Councillors;
- duty on existing Authorities to collaborate in preparing for the new Authority and to work with its shadow Authority or Executive;
- set out arrangements for achieving the timely transfer of property, the continuation of rights and liabilities;
- staff matters; and
- financial matters.

Local Government too has a role, and a moral responsibility, to ensure it acts positively in ways which support orderly mergers for the benefit of their local communities.

Merged Local Authorities will remain subject to the Welsh language standards set by regulation under the Welsh Language (Wales) Measure 2011. Merging Authorities may be at different stages in terms of their current practice and aspirations in relation to the use of the Welsh language in service provision, policy making, operations, promotion of the language and record keeping. Where it is the case that merging Authorities are at different stages, it is critical that the higher standards must apply to the new merged Authority. This is an opportunity for Local Authorities across Wales to be significantly more ambitious and aspirational for our shared goal of a bilingual Wales. There will be a role for the Welsh Language Commissioner to monitor standards during mergers and there may be a role for the Public Services Staff Commission (see 2.9 below) to identify best practice in relation to the Welsh language and workforce matters.

## 2.8 Status of the New Authorities

The new Authorities will be Principal Councils within the meaning of the Local Government Act 1972. The Welsh Government believes they should be corporate bodies known as “Counties” and that the term “County Borough” should no longer be used. To most people, the historic reasons behind the difference in names lost its significance years ago.

We recognise that the Council chair or Mayor plays an important civic role undertaking ceremonial duties. Previously confined to County Boroughs only, we intend to make legal provision that any of the new Councils should be able to nominate the chair of the Council as Mayor, so this important function may continue.

This is, of course, different from the role of Elected Mayor which is a form of executive structure a Local Authority may choose to adopt following a referendum of local people under the Local Government Act 2000.

## 2.9 Public Services Staff Commission

The workforce in Local Government will be instrumental to the transformation we seek. Our vision for the public service workforce is to build an engaged, motivated, and high performing workforce, attract and retain talent, develop the right skills, and ensure equality and diversity, underpinned by our social partnership approach, embodied in the Workforce Partnership Council.<sup>16</sup>

We intend to legislate to create a statutory Public Services Staff Commission in the second Local Government Bill. In order to achieve this, the Welsh Government recently consulted on establishing a non-statutory Public Services Staff Commission in April 2015. Its role will be to ensure fairness and consistency, and to be an independent and impartial source of information and advice. The Commission will be set up using powers under section 60 of the Government of Wales Act 2006.

The recent White Paper consultation set out our proposals for such a Public Services Staff Commission. It would have a remit to identify and propose practical solutions to issues arising from reform which could be considered and implemented. The range of skills and experience which the Commission will require includes human resources, leadership and organisational change, finance and accountancy, employee relations, knowledge of Local Government and its major responsibilities, other public services, organisational development, and Trade Union organisation. A Secretariat to support the Staff Commission would be established with complementary skills and experience. The Staff Commission would be required to consult widely, such as with employers, trade unions, employees and the Workforce Partnership Council, and forge links with other bodies such as the Independent Remuneration Panel. It would seek out and disseminate best practice. It would not supplant existing bargaining and negotiating mechanisms or undermine the successful partnership of the Workforce Partnership Council.



The workforce matters to be considered by the Staff Commission could include:

- recruitment and retention of staff within and across Local Authorities before and during mergers;
- transfer of staff from current to new Local Authorities;
- harmonisation of terms and conditions of service, for example, approaches to travel and subsistence payments, flexible working hours and voluntary severance and redundancy packages;
- job evaluation/grading;
- senior post recruitment and remuneration, in conjunction with the specific responsibilities currently allocated to the Independent Remuneration Panel;
- pensions and impact of transferring staff to different public service pension schemes;
- impact on staff recently transferred to private sector contractors; and
- issues affecting the wider public service workforce, such as zero-hours contracts and leadership development.

In 3.16 below, we raise the issue of achieving more consistency in appointments to senior roles in Local Government, with the possibility of forming a Public Appointments Board or similar. We would need to consider how such a Board would work alongside the Staff Commission.

## 2.10 Legal Competence of Local Government

Local Government operates in a challenging environment, where it needs the flexibility to work in partnership with a range of public, private and third sector bodies with increasingly diverse forms of service delivery, commercial activity and financial arrangements. Local Government must be freed up to innovate.

Traditionally, Local Government has only been able to undertake activity expressly permitted through specific powers or duties. The Local Government Act 2000 introduced the ‘power of well-being’. This marked a radical shift, giving competence to Local Government to act in any way which improved the well-being of people in each area, so long as it was not otherwise prohibited from doing so by other legislation.

In practice, the power of well-being has sometimes proved to be problematic to exercise. For this reason, Local Government in Wales has argued for a general power of competence. We believe this is appropriate for Local Authorities and some Community Councils. The general power of competence would allow Local Authorities and competent Community Councils (see 4.9 below) to act in their communities’ financial interest to generate efficiencies and secure value for money outcomes. They would be able to raise money by charging for discretionary services and to trade. This is therefore a wide power, limited only by the need to ensure Local Authorities and Community Councils do not do anything which they are specifically prevented from doing by legislation. It would allow Local Authorities and competent Community Councils to engage in activities potentially judged to be outside the well-being power, such as providing certain indemnities and guarantees.

In line with this, we intend to review the provisions of the Deregulation and Contracting Out Act 1994 (as amended), as they apply to Local Authorities in Wales, to allow Local Authorities generally to make decisions on how they deliver services, other than in prescribed circumstances. It may be, for example, that the provision of back-office functions, procurement, ICT, human resources, and payroll, where there will be a general expectation of collaboration, might best be provided by a single national provider which could be a wholly-owned subsidiary of Local Government in Wales. Other services might be more economically provided through in-sourcing across a range of Local Authorities rather than out-sourcing. Our rules need to be flexible enough to allow this.

### 2.11 Other Powers

We intend giving a general power to Local Authorities to ensure consistent and effective provision of Community Councils and other democratic models of neighbourhood participation, within their geographic areas (see 4.8 below).

Local Authorities in Wales have also argued for the devolution of other powers to Local Government. In their evidence to the Commission on Public Service Governance and Delivery and in their document, *In Defence of Localism*, the Welsh Local Government Association argued, for example, for public health to become a responsibility of Local Government.

The Welsh Government is in favour of giving more powers to Local Government but Local Authorities must first demonstrate effective exercise of their existing powers.<sup>17</sup> Reformed Authorities, with greater capacity and capability, will have an opportunity to assert greater responsibility and show tangible improvements. When this has been adequately demonstrated, the Welsh Government will be prepared to consider the appropriateness of further devolution of powers.

### 2.12 Local Authority Constitutions

Although rules are necessary to ensure good governance, too many can hinder decision-making and stifle innovation. They can also make the working of Local Government opaque and difficult to understand. The Welsh Government is therefore seeking views on whether some of the procedures and processes of Local Government can be simplified, while at the same time improving transparency.

The Local Government Act 2000, when taken together with the Local Government Act 1972 and the Local Government and Housing Act 1989, requires Local Authorities to adopt a constitution which sets out their standing orders and rules relating to procedures, conduct, remuneration and role specifications relating to the governance, administration, finances, commercial and collaborative activities. Their purpose is to enable Councillors, officers, the public and stakeholders to understand how the Council makes decisions and who is responsible for those decisions.

The result is Local Authority constitutions in Wales which range from around 250 pages to over 450. While Local Authority constitutions may need to be lengthy to fulfil statutory requirements,

<sup>17</sup> See, for example, the statement by the First Minister in the National Assembly for Wales Record of Proceedings, 28 January 2014.

it is doubtful whether documents of this length help local people understand their Authority's decision-making, or help communicate the values of the Authority to the people they serve. We believe there is a case for requiring Local Authorities to have a constitution which is not simply a rule book but which sets out first and foremost the Authority's values, the principles under which it will operate and, in particular, its relationship with the public it serves. The Co-operative Council Constitution of the London Borough of Lambeth is just such an example.<sup>18</sup>

In so far as the present Council constitutions reflect procedural rules required by legislation, we are seeking views on whether specific bureaucratic burdens imposed by Local Government legislation should be repealed or amended, with a view to simplifying Local Authority procedures, and whether there is merit in developing a more streamlined model Local Authority constitution. For example, whilst most Local Authorities now distribute papers in electronic format, the Local Government Act 1972 requires papers to be distributed in hard copy. This remains the practice in most Community Councils. These kinds of provisions need to be updated to reflect the world we live in.

### 2.13 Review of the Body of Local Government Legislation

Legislation relating to the operation of Local Government has accumulated over the years and much of it has been extensively amended. It seems plausible Local Government organisational design and operating procedures, which were largely set down between the 1970s and 2000 and with their roots further back in the Victorian era, may not be best suited for the next generation.

We are therefore seeking views on whether a fundamental review of the body of Local Government legislation is justified. This would be a longer term ambition and could not be accomplished prior to introducing the legislation proposed in this White Paper. It is a task which might be undertaken, for example, by the Law Commission. However, it could allow a future Assembly to create a new body of legislation for Local Government in Wales which was fully fit for the 21st Century.

This could open the door to simplify significantly the way Local Government operates in the longer term.

### 2.14 We would like your views

The Consultation Survey asks questions on the following themes:

- Status of reformed Authorities
- General power of competence
- Deregulation and Contracting Out Act 1994
- Local Authority constitutions
- Legislative burdens and review of the body of Local Government legislation

<sup>18</sup> <http://lambeth.gov.uk/elections-and-council/about-lambeth/constitution-guide>

### 3. Renewing Democracy

For Local Government to operate effectively, there needs to be clarity about roles and responsibilities and Elected Members should reflect the diversity of cultures, voices and aspirations in the communities they represent.

We propose to set out in legislation the roles and responsibilities of the Leader, Cabinet Members, Elected Members and the Chief Executive Officer. We will take further action to increase the diversity of Councillors. We will take action to reduce the cost of politics and management in Local Government and to bring more consistency to the appointment and remuneration of senior officers.

We are seeking views on whether the way we compensate Elected Members at present is still appropriate, whether the number of terms an Elected Member may serve should be limited, and whether there should be a right of recall. We are seeking views on whether the restrictions which prevent some Local Authority officers from standing for election should be relaxed. Finally, we are seeking views on whether Local Government elections should continue to occur every four years or whether we should consider alternatives.

#### 3.1 Introduction

Democracy is the foundation which gives Local Government the moral and political authority to exercise the full range of powers and responsibilities vested in it by law. We believe this was insufficiently stressed in the report of the Commission for Public Service Governance and Delivery. At present, we do not believe local democracy is achieving its full potential in shaping places and improving the well-being of people in Wales.

Enquiries into some recent failures in Local Government in Wales have revealed confusion and ambiguity about who is responsible for what. For example, the recent peer review of Carmarthenshire County Council noted:

*“There was generally an inconsistency in the understanding of the respective roles of elected members and officers, and the perception has been that the Chief Executive and senior officers have dominated some of the decisions of the Executive Board to the extent that the balance of governance has become disjointed and the Council is widely perceived to be officer-led”.*<sup>19</sup>

Similar conclusions have been reached in reviews relating to other Local Authorities, including Pembrokeshire,<sup>20</sup> Merthyr Tydfil<sup>21</sup> and Birmingham.<sup>22</sup> This confusion undermines effective leadership. The Welsh Government considers there is a need to clarify the roles and responsibilities of the political and administrative leaders in Local Government. The statutory responsibilities of some of these roles are set out in various pieces of legislation, but there is no general description of the expectations of these key roles in Local Government. In Denmark, for example, the Code for Chief Executive Excellence sets out clearly these different roles.<sup>23</sup>

Healthy democracy also depends on the public taking a vital interest in the work of their Council and Councillors. This is unlikely to happen while our local politicians do not reflect the communities they serve. This undermines public trust. Put simply, the vast majority of Councillors are white, male and over 50. Part of the reason there is a shameful lack of women and ethnic minority Councillors in Local Government in Wales may be because we have lost sight of what we expect from local Councillors. Councillors were always meant to be part of the community they represented but in recent times, we have seen a gradual shift towards more full-time, professional, paid politicians. We do not believe this is what the public wants. It increases the cost of local democracy and makes the role of the Councillor unattractive to many people.

We also need to ask whether it is healthy that Councillors and the Chief Executive can stay in their roles indefinitely. While such commitment is admirable, it may also serve to make Local Authorities less adaptable to change in a dynamic world and may restrict the opportunities for broader participation in local democracy. Finally, as the National Assembly moves to a five year electoral cycle, we need to consider what are the best electoral arrangements for Local Government.

### 3.2 The Local Government Elections

Free and fair elections are the foundation of all democracies. Elections to the UK Parliament are for a fixed five year term, as are elections to the National Assembly for Wales following enactment of the Wales Act 2014. However, Local Government in Wales remains on a four year electoral cycle. In practice this means that elections to Local Government – at both Local Authority and Community Council level – coincide from time to time with either general or Assembly elections. Where there are multiple elections in a single year there are arguments in favour of holding different elections on one day, countering voter-fatigue for instance. However, these proposals are often outweighed by the potential confusion of different ballot papers with different voting systems and the greater potential for administrative errors.

20 Joint inspectorates' review of inter-agency arrangements and practice to safeguard and protect children in Pembrokeshire, CSSIW, 2011 <http://cssiw.org.uk/our-reports/local-authority-report/2011/joint-inspectorates-safeguard-protect-children-pembrokeshire/?lang=en>

A report on the quality of local authority education services for children and young people in Pembrokeshire County Council, Estyn, 2012 <http://www.estyn.gov.uk/english/news/estyn-report-published-on-education-services-in-pembrokeshire/>  
Special Inspection – Implementation of Safeguarding Arrangements, Pembrokeshire County Council, WAO, 2012 <http://www.wao.gov.uk/publication/pembrokeshire-county-council-special-inspectionimplementation-safeguarding-arrangements>

21 Peer Review of Merthyr Tydfil County Borough Council, WLGA, 2012 <http://www.wlga.gov.uk/english>

22 The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council, Sir Bob Kerslake, 2014 <https://www.gov.uk/government/publications/birmingham-city-councils-governance-and-organisational-capabilities-an-independent-review>

23 [http://www.publicgovernance.dk/?siteid=672&menu\\_start=672](http://www.publicgovernance.dk/?siteid=672&menu_start=672)

As part of the Welsh Government's response to the second report of the Silk Commission on devolution, we are seeking legislative competence to determine the running of Local Government elections as part of a reformed devolution settlement. We also believe it is important that candidates in Local Government elections are open and transparent about their political affiliations. We are therefore seeking views on whether candidates in Local Government elections should be required to record their membership of a registered political party on their nomination form, whether or not they are standing on behalf of that political party.

Looking forward, Local Government elections could be moved to fixed five year terms with their election cycle arranged so that they took place in different years to the general or Assembly elections. This would mean an election day where the focus was primarily on Local Government. The Welsh Ministers are currently able to achieve this by altering the date of Local Government elections on a case by case basis under section 86 of the Local Government Act 2000.

In some Authorities elsewhere in the UK, elections have traditionally been held on the basis of a third of Councillors elected in each year. There are arguments that suggest such a model assists in ensuring more regular contact between political parties and the wider public, although other evidence suggests it may foster short-termism and lack of continuity. This was the conclusion of Sir Bob Kerslake's independent review of governance and organisational capability in Birmingham City Council in 2014.<sup>24</sup> A similar conclusion was reached by Bristol City Council in March 2013 when they resolved to change from elections by thirds to whole council elections from 2016. They believed it would increase voter turnout, reduce costs and *"a clear mandate from the electorate once every four years could enable the council to adopt a more strategic, long-term approach to policy and decision-making - and focus less on yearly election campaigning"*.<sup>25</sup>

The Local Government Act 2000 allows the Welsh Ministers to alter the way in which elections are held so that Councillors in Local Authorities are elected in phases, for example half of Council seats could be elected in one year and the other half the next. This would have the advantage of regular renewal of the body of Elected Members, though it would also have implications for political balance and the leadership of Authorities, particularly where there is not a decisive majority for one political group. There is, however, no evidence that the frequency of elections makes any difference to the turnout at Local Government elections in the UK, which is usually between 30% and 40%.<sup>26</sup>

The Welsh Government is seeking views on both the length of Local Government election cycles and the appropriateness of phasing within a Local Authority area.

### 3.3 The Role and Responsibilities of the Leader

Leaders should be selected by the Council on the basis of the commitments they make. Therefore, Elected Members and the public have a right to know what they stand for. Where a candidate is standing for Leader, the Welsh Government believes it is right they should publish a written manifesto and present it orally to the Council before the election of Leader takes

24 The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council, Sir Bob Kerslake, 2014 <https://www.gov.uk/government/publications/birmingham-city-councils-governance-and-organisational-capabilities-an-independent-review>

25 <http://www.bristol.gov.uk/page/council-and-democracy/future-elections-bristol>

26 Historic data for local, national and European elections are available at: <http://www.theguardian.com/news/datablog/2012/nov/16/uk-election-turnouts-historic>

place, and subsequently present an annual statement of progress in delivering that manifesto. The annual statement should set out the successes and challenges faced by their Council and the steps the Leader has personally taken to eradicate poor performance or to take action where it has happened. This will implement a specific recommendation of the Commission on Public Service Governance and Delivery.<sup>27</sup>

Leaders depend on Cabinet Members and the Local Authority officers to deliver, delegating functions to them and holding them to account. The Leader, not the Chief Executive, is the political spokesperson for the Council, while the Chief Executive is responsible for management of the Authority and its staff. To ensure the public is clear on these issues, we propose the Leader (or Elected Mayor) of a Local Authority should be given a statutory duty to set objectives for each Member of the Cabinet and hold them to account each year for their progress, and for these documents to be published.

We also believe the Leader should be required to set objectives for the Chief Executive, on behalf of the Authority, assess their performance annually and make a report each year to Council. The Leader should hold the Chief Executive to account for delivering the Executive's priorities which will include their political priorities and their proposed well-being objectives under the Well-being of Future Generations (Wales) Bill. In this context, it is important to note that the Leader's manifesto and annual statement are separate and different from the Chief Executive's corporate plan and annual report (see 3.13 and 7.2 below). The former sets the Executive's priorities, whilst the latter sets out how the Chief Executive will ensure the Local Authority delivers those priorities operationally. There must be no confusion between these roles.

Leaders must also be powerful advocates for equality and diversity, translating this into positive action. Consideration should be given to the role of the Leader in promoting diversity, for example, when selecting Elected Members for the Cabinet. We accept that there will be circumstances where achieving diversity is not possible but in most cases, we can and should do better than we are at present. We therefore propose that Leaders should have due regard to equality and diversity objectives when selecting their Cabinet. It is essential Cabinets are able to draw on as wide a range of views as possible in order to give them insight into the issues of concern to residents of the area, especially those who may be disproportionately affected by Council decisions. We therefore believe, where Leaders are unable to select a balanced Cabinet, they should give serious consideration to co-opting additional, non-voting Cabinet Members, to act as advisors.

### 3.4 The Role and Responsibilities of Cabinet Members

The Cabinet and scrutiny system introduced by the Local Government Act 2000 was intended to improve the *"inefficient and opaque"*<sup>28</sup> committee system which it replaced. The Act made a clear distinction between the role of the Executive, comprising the Leader and Cabinet Members, and the role of non-executive Elected Members. All Local Authorities in Wales operate the Leader and Cabinet Executive model. The Leader and Cabinet system concentrates many Local Authority functions in the hands of a 'corporate' centre. This has significantly streamlined decision-making, however, there have been other consequences.

<sup>27</sup> Recommendation 40, paragraph 4.77 in the Commission's final report.

<sup>28</sup> Local Voices: Modernising Local Government in Wales, Welsh Office, 1998

An independent evaluation of Cabinet Executive arrangements in Local Government, commissioned by the Welsh Government,<sup>29</sup> assessed the impact the Cabinet system has had on decision-making, democracy and accountability, and the extent to which the overview and scrutiny arrangements of the Authority enable effective scrutiny of the Executive. As might be expected, the views of ruling administrations about the Cabinet system are positive, whilst the views of opposition Members are less so. While some Cabinets are transparent in the way they work and make decisions, there is evidence that a culture of making decisions behind closed doors continues in some areas and that scrutiny is often insufficiently robust to challenge this lack of transparency effectively.

This is a serious criticism of the current system, but there is no evidence a return to the committee system would lead to more effective decision-making or greater transparency. It indicates, however, a pressing need to put in place mechanisms to improve transparency and strengthen scrutiny (see Chapter 8), and to clearly differentiate between the roles of the Executive and senior management team. Numerous reports have found the Cabinet system has also led to a perceived diminution of the role of ordinary Elected Members.<sup>30</sup>

There is good evidence that in some Councils there is too much blurring of roles between the Executive and senior management (see 3.1 above). Members of the Executive should not become part of the bureaucracy. They are there to set the political direction of the Authority, seeking to lead on behalf of the public, not to become part of the machinery of operation. Their role is to challenge the senior management team and to ensure both national standards and local priorities are delivered. At present, too often it appears that we have a full time professional political cadre in Local Government, on top of a full time professional bureaucracy, with too little separation of functions. This takes Local Government away from its roots and it is not at all clear this is what the public wants.

The system has also led to higher leadership costs. Under the Local Government Act 2000, the number of executive roles – the Leader and Cabinet Members – in a Local Authority in Wales may not exceed ten. At present, all Local Authorities in Wales have at least seven executive members and the majority have either nine or ten.<sup>31</sup> Paradoxically, the trend in many Local Authorities in recent years has been to reduce the size of the senior management team to comprise a Chief Executive and a small number of corporate directors with a wide span of responsibilities, although this is certainly not true in all Local Authorities in Wales. This is in response to financial pressures, a conscious effort to break down service silos, and to streamline decision-making. It is not clear why the rationale which has reduced the size of senior management teams does not also apply to Cabinets.

A senior salary is payable to certain Elected Members whose work is considered to be full time. Each Cabinet Member is considered full time and is entitled to a senior salary, as are some other roles, such as chairs of scrutiny and the Council chairman. Some Cabinet roles come

29 An Evaluation of Welsh Local Government Executive and Scrutiny Arrangements, Downe et al, Welsh Government, 2015 <http://wales.gov.uk/statistics-and-research/independent-evaluation-welsh-local-governments-executive-scrutiny-arrangements/?lang=en>

30 See, for example, The Operation of New Political Management Structures in Local Government, Local Government and Public Services Committee, National Assembly for Wales, 2004, and Frontline councillors and decision making <http://www.jrf.org.uk/publications/frontline-councillors-and-decision-making>

31 Blaenau Gwent, Caerphilly, Carmarthenshire, Conwy, Gwynedd, Newport, Swansea, Wrexham (10); Cardiff, Neath Port Talbot, Pembrokeshire, Powys, Rhondda Cynon Taf (9); Ceredigion, Denbighshire, Flintshire, Monmouthshire, Torfaen (8); Anglesey, Bridgend, Merthyr Tydfil, Vale of Glamorgan (7).



with important legal responsibilities, for example, the Leader and the Cabinet Members for social services and education. These may with good reason be considered full time roles, given their responsibilities and the fact that education and social services account for two thirds of Local Government spend. However, it is not clear whether all Cabinet posts should be seen to be more or less full-time and whether the same levels of remuneration are appropriate for all members of the Cabinet. The same consideration applies to the other roles carrying senior responsibility allowances.

It may be that there should be full-time senior Cabinet and part-time deputy Cabinet positions. This would have the advantage of opening up opportunities for new or younger Councillors to experience executive decision-making without having to commit to a more or less full-time position. An alternative is to use legislation to limit the number of Cabinet Members per Authority, depending on size.

This raises the broader issue of the induction and training of Leaders and Cabinet Members, and succession planning. Members of the Executive have very significant legal and financial responsibilities and yet, at present, training for these roles is patchy or inconsistent at best. For example, we are only aware of one area in Wales – Torfaen – where Elected Members have been able to access degree level training.<sup>32</sup> It is important we invest in our political leadership. We therefore propose there should be a development programme, led by our public service Academi, for new and existing Council Leaders, for Councillors with the potential to become Cabinet Members, and for leaders of the opposition who have a realistic chance of making the transition from opposition to government and become Council Leaders in the future.

We return to the issue of the remuneration of Elected Members and the appointment and remuneration of senior officers below.

### 3.5 The Role and Responsibilities of Elected Members

The Welsh Government also intends to clarify the expectations which an Elected Member of a Local Authority is expected to fulfil, including strengthening their roles as community advocates through Area Boards (see 4.5). We would set out their need to communicate with and represent their electorate, including the holding of surgeries and participation in community governance, to attend and participate in the committees to which they are appointed, and to hold the Executive to account through overview and scrutiny. All Elected Members must as a minimum be accessible to the public through electronic mail, and by preference also through the use of social media.

We should also require Elected Members to attend appropriate training. The responsibilities on Elected Members will increase in larger, merged Authorities and the Welsh Government believes it is prudent to invest in their skills. Under our proposals, Elected Members will need to commit to continuing personal development in order to develop high levels of expertise in finance, service and corporate matters to enable effective scrutiny of the Executive, and expertise in communication to enable effective community engagement. Some will wish to develop particular expertise in scrutiny, others in community engagement. At three recent (November 2014) Welsh Government workshops with Councillors and Local Authority officials on the impact of the Local Government (Wales) Measure 2011, the further training needs of Councillors were identified as: equalities, code of conduct, regulatory roles, legal responsibilities,

performance and risk management, freedom of information, data protection, use of social media, ICT, remote working, and the Councillor's role as a school governor.

Local Authorities are required to support Elected Members to publish annual reports and Members are encouraged to produce them, although fewer than half currently do so. Some Elected Members have argued that annual reports are not necessary as they are judged by the public in the ballot box. It is difficult to see how most members of the public could judge the achievements of individual Elected Members without being able to access regular information about their Council and community activities. Therefore, the Welsh Government considers all Elected Members should be legally required to produce an annual report. Whilst this should include information about their attendance, membership of committees and Area Boards (see 4.5), remuneration, training, case work and correspondence, they should focus more explicitly on qualitative information about what they have achieved during the year and how people and communities are better off as a result.

Elected Members are paid from the public purse and are responsible for significant decisions about public spending, so their actions must be open to scrutiny by any member of the community whose interests they represent, as well as other persons affected by their actions. The Local Government ethical standards framework guides Elected Members on the appropriate standards of conduct expected of them in undertaking their roles, whilst providing reassurance to the public that action will be taken if things go wrong. In our 2012 *'Promoting Local Democracy'* White Paper,<sup>33</sup> we said the standards framework remained fundamentally sound, but we proposed a number of changes to improve its overall operation, including the adoption of local complaint resolution policies for low-level complaints between Members and the capping of indemnities. The Welsh Government welcomes the positive response from all Authorities in adopting such policies.

The Local Government (Democracy) (Wales) Act 2013 makes provision for the establishment of joint Standards Committees, the electronic publication of registers of interests and powers to enable the transfer of misconduct reports and Member dispensation requests between Standards Committees to overcome potential conflicts of interest. These provisions will be brought into effect later this year. Also, this year, we will bring forward legislation to modify the model code of conduct for Local Authority Members to facilitate the operation of local resolution policies and to clarify the position of Members with constituency interests. We will also exempt Local Authorities from publishing misconduct reports during ongoing proceedings.

We believe these reforms will improve and strengthen the ethical standards framework. However, we are seeking views on whether there should be any further reforms, in particular in respect of the most serious cases. Standards Committees and Monitoring Officers already play a key role in supporting and advising Members on conduct matters. There should be a new power for Standards Committees to consider cases where there are serious concerns that an Elected Member is failing to fulfil their duties satisfactorily. We would provide Standards Committees with appropriate sanctions which could be imposed. There would need to be safeguards against vexatious complaints.

It is important Local Authorities take full responsibility for the poor performance of Elected Members and manage this internally in a transparent manner. It is also important that as part of this process we consider an appropriate appeals process for Elected Members, whether that

be internally within the Authority, to the Adjudication Panel for Wales or another body. We are seeking views on the most appropriate procedure.

### 3.6 Diversity among Elected Members

The Welsh Government wants to reach a position where electors and communities can identify closely with their elected representatives. This is best achieved when the membership of elected bodies reflects, as much as possible, its electorate. This suggests an equal gender split, a balanced age profile and a fairer representation of black, Asian and minority ethnic people, as well as those with disabilities. This is not simply a desire to achieve greater equality, important though that is. It is far more likely that a Council will make decisions which meet the needs of the whole community if all interests are represented in the Council chamber. Unfortunately, this is not the case at present.

A recent report by the Expert Group on Diversity in Local Government, *On Balance*,<sup>34</sup> showed the make-up of Councils in Wales to be a poor reflection of the communities they serve. Around 25% of the population is aged over 60, but among Elected Members this rises to almost 60%. Women make up just over half the population overall, but among Elected Members, women are outnumbered by men by almost three to one. Only one Council has a female Leader (Ceredigion) and only three Chief Executives out of 22 are women (Ceredigion, Torfaen and Wrexham).

Out of 193 Cabinet Members in Wales, only 39 – one in five – are women. Only one Council, Carmarthenshire, has more than three women Cabinet Members. At the time of writing, two Councils, Anglesey and Bridgend, have no women in their Cabinets. It is quite possible there is a similar position in respect of other protected characteristics, such as disabled people and those who are lesbian, gay, bisexual or transgender, although we lack the necessary data. This poor representation, both generally among Elected Members and specifically in leadership positions, undermines trust in Local Government and in the eyes of many, also undermines its relevance and legitimacy.

There is greater diversity in the third sector and among social enterprises. For example, women account for a greater proportion of the workforce in the third sector (67%) than either the public sector (64%) or the private sector (40%). Among senior managers in the third sector, women represent 50% of the workforce, compared with 46% in the public sector and just 24% in the private sector.<sup>35</sup> However, very few people who work in the third sector consider becoming a Councillor in Local Government. This is a vital loss to local democracy. It deprives Local Government of committed community activists and prevents Local Government becoming a more diverse, more effective agent of change. In 3.12, we set out our proposals to make it easier for most Local Authority employees to stand for election.

If we want to encourage a more diverse range of people to seek elected office in Local Government, we must ensure our Councils are places where an open culture thrives and people are made to feel welcome and respected, whatever their background. Behaviour is key to this.

<sup>34</sup> <http://wales.gov.uk/topics/localgovernment/publications/expert-group-report/?lang=en>

<sup>35</sup> Women's' leadership, employment and participation in the third sector and social enterprises, Third Sector Research Centre, Briefing Paper 40, 2010 <http://www.birmingham.ac.uk/generic/tsrc/research/workforce-and-workplace/women-in-the-third-sector.aspx>.

For further information on women in managerial roles in the third sector, see also Close to Parity, Rowena Lewis, Clore Duffield Foundation, 2010 <http://www.cloresocialleadership.org.uk/Rowena-Lewis.aspx>

For example, *On Balance* quoted research<sup>36</sup> which indicates that women, on achieving public office, are more likely to resign from positions held and then to drop out of activity altogether. We have seen evidence of this in Welsh Local Authorities, where the number of female Cabinet Members has fallen since the 2012 elections. Whilst other factors, such as the timing of meetings, may play a part, this also suggests that the atmosphere in our Councils may be overly “macho”.

Changing behaviours in a Local Authority requires leadership. Therefore, we propose placing a duty on Leaders, Group Leaders and Chief Executives to ensure diversity is respected. For Leaders, this duty will extend to ensuring that there are coherent anti-bullying and harassment policies in place for Councillors, not only in respect to Local Authority staff but also in respect of other Councillors. Group Leaders should also be required to ensure they are taking this responsibility seriously within their groups, and Chief Executives should be required to ensure there are anti-bullying and harassment policies in place for staff. In each case, the Monitoring Officer and Standards Committee will have enforcement roles. In addition, we need to support our Elected Members appropriately and they should be due similar entitlements to a balanced life as others working in the public and private sectors. For example, the Local Authority, the public and the media should support them when they take maternity or paternity leave, or when they need time out for caring responsibilities.

In 3.3 above, we set out our proposal that Leaders should be required to have due regard to equality and diversity objectives when selecting their Cabinet, and that they should give serious consideration to co-opting non-voting Cabinet members where they cannot achieve a balanced Cabinet. We also believe the same principle should apply to committees of the Council, including Scrutiny Committees, and that, where appropriate, Councils should make a decisive effort to co-opt additional members to committees in order to achieve a diversity which more closely reflects the local population.

The Welsh Government has published an action plan in response to the report of the Expert Group.<sup>37</sup> We have established a project, involving all relevant stakeholders, to pursue this plan and are determined, as a minimum, to work with political parties and other partners to achieve the goal of female candidates being selected in at least 40% of seats considered winnable by the nominating party. We will continue to pursue this agenda diligently.

However, it is difficult for National Government to have an immediate and direct influence on diversity in Local Government, or to legislate for diversity. Rather, Local Authorities, political parties, and bodies such as the Welsh Local Government Association and the Society of Local Authority Chief Executives in Wales, must work harder to encourage more diverse candidates at local elections and to ensure Elected Members are accorded appropriate flexibility and support in their roles. Prior to the last Local Government elections in 2012, the Welsh Government in partnership with the Welsh Local Government Association ran an information campaign to encourage people to become a Councillor, with a view to increasing the diversity of Councillors across Wales. While it is our intention to run a similar campaign in advance of the next Local Authority elections, we also believe that Local Government, in its own interests, must actively

36 *Last in, first out – Gendered patterns of local councillor dropout*, Allen, P. A., 2013. *British Politics* 8(2) pp. 207-224.

37 *On Balance: Diversifying Democracy in Local Government in Wales*, Report of the Expert Group on Diversity in Local Government, 2014 <http://wales.gov.uk/topics/localgovernment/publications/expert-group-report/?lang=en>

promote democracy and diversity in democracy. The report of the Councillors' Commission,<sup>38</sup> established by the UK Government in 2007, considered how to broaden participation in Local Government. It called for Authorities to be charged with responsibility for "*raising interest and providing information on becoming a councillor*" and "*actively promoting the role of elected councillors and their activities*", as well as facilitating other forms of civic participation.

Although provision in relation to this was included in the Local Democracy, Economic Development and Construction Act 2009, it was not commenced and has since been repealed. The Welsh Government believes it is time to implement the Councillors' Commission proposal. In 3.13 below, we set out our intention to put a duty on the Chief Executive of a Local Authority to promote engagement and diversity in democracy.

In many areas, Local Authorities already run Youth Councils whose work provides a crucial young people's perspective on the work of the Council. The Welsh Government has made clear its commitment to children and young people by adopting the United Nations Convention on the Rights of the Child (UNCRC) into law, through the Rights of Children and Young Persons (Wales) Measure 2011. We encourage all Local Authorities to adopt the UNCRC but we also believe they should give young people a voice and introduce them to local democracy through Youth Councils. As part of the Chief Executive's duty to promote engagement and diversity in democracy, we intend to require the Chief Executive to establish a Youth Council.

### 3.7 Remuneration of Elected Members

There is legitimate public and media interest in the remuneration of Councillors. People rightly expect that all those who choose to serve in Local Government uphold the public trust by embracing the values and ethics implicit in such public service. At the same time, people who give their time to serve their community through Local Government are entitled not to be out of pocket for doing so. If we did not compensate people for their contribution, local democracy would become the exclusive domain of the rich. Democracy must open to everybody.

The salary of Cabinet Members is set by the Independent Remuneration Panel for Wales. The salary payable is determined by the size of the Council. Leaders earn between £43,000 and £53,000, Deputy Leaders £30,000 to £37,000, and other Cabinet Members £26,000 to £32,000. This is based on them being full-time roles.

Councillors currently receive a payment of just over £13,000 per annum. This is based on the role taking three days a week. The payment was introduced to replace an attendance allowance which was widely seen as subject to abuse. We do not wish to disadvantage anybody financially from being a Councillor as this would contradict our clear intention to increase diversity among Councillors. However, it has now become an expectation. The payment affects people differently. For a retired person, it is a significant extra income compared with the basic single person State Pension in 2014-15 of £5,881 per annum. This may help explain the over-representation of Councillors over 60. On the other hand, it may only partially compensate somebody whose ordinary job is higher paid, or disadvantage a single parent with a part time job by moving them into a higher tax bracket.

<sup>38</sup> Representing the future: The report of the Councillors' Commission. Councillors Commission, 2007 <http://webarchive.nationalarchives.gov.uk/20080910134927/communities.gov.uk/councillorscommission/>

The total cost of Elected Members, including the costs of Cabinets and senior responsibility functions in scrutiny, is £21.7 million annually across Wales. We need to clarify whether we intend to compensate Councillors for their time or pay them for the work they do. There is an important difference.

The Welsh Government believes the system of remuneration for Councillors – Executive and non-executive – needs to be clearly spelt out in such a way as the public can see how the levels payable are arrived at. Councillors' remuneration in Wales should be more in line with the amounts paid in similarly sized Authorities in England, Scotland and Northern Ireland.

### 3.8 Release of Elected Members from Employment

Local Authorities play an essential role in improving the well-being and prosperity of our communities. Organisations in the public, private and third sectors benefit greatly from their work. Employers who release their employees to undertake civic responsibilities as a Councillor are making a significant statement about their corporate social responsibility.

Many Local Authorities now conduct a great deal of their Council and committee business outside of normal working hours. This makes it easier for those in employment to serve as a Councillor and is potentially an important factor in promoting more diversity among Elected Members. Nevertheless, Council business may still need to be conducted during the working day and not all employees work from nine to five. In order to promote diversity further and make it easier for people in employment to serve as a Councillor, the Welsh Government is seeking views on whether the devolved public service organisations should be required to release employees to undertake duties as an Elected Member, in the same way as many of these organisations already release staff to undertake voluntary work. Consideration would need to be given to the number of days per year that would be permissible. Given that Elected Members receive a payment for their Council duties, any such leave should be unpaid. We welcome views on this proposal.

If we were to proceed with these proposals, we would also encourage non-devolved public service organisations, as well as the third sector and private businesses, to release employees for Councillor duties on the same basis, as part of their corporate social responsibility.

### 3.9 Number of Elected Members

Our proposals to merge existing Local Authorities into a smaller number of new Authorities (see 2.7 above) will have implications for the number of Elected Members in Wales. On average, each Councillor in Wales serves a population of 2,401, significantly lower than England (3,814) and almost half that in Scotland (4,259).

The Welsh Government believes we should see an overall reduction in the number of Elected Members in Local Authorities to approximate more closely the position in the other parts of the UK. We are seeking views on the number of Elected Members in order to inform work which will be undertaken by the Local Democracy and Boundary Commission for Wales.

### 3.10 Term Limits for Elected Members

There has been significant research into whether there should be a restriction on the number of consecutive terms an Elected Member may serve on a Council. This is known as a 'term limit'. At present, there is no limit. The Welsh Government's survey of candidates in the 2012 Local

Government elections<sup>39</sup> showed that 83% of elected candidates had served as a Councillor in the past, suggesting that re-election is very common. The survey also showed that half of all Councillors in Wales have served at least ten years, and media reports have identified some have served over 50 years.

Whilst the research is not conclusive, term limits have shown greater competition in elections and seen a more diverse pool of candidates.<sup>40</sup> The Councillors Commission<sup>41</sup> recommended term limits should be introduced for Elected Members as well as for Leaders and Elected Mayors. There is some evidence that turnover among newly Elected Members in the UK is greater among younger, more diverse Councillors which has the effect of restricting diversity and strengthening the cohort of predominantly older, male Elected Members.<sup>42</sup>

There are arguments against term limits, not least that the ballot box gives the electorate the opportunity to impose their own term limits. However, the Welsh Government believes overall there is merit in considering limiting the number of terms Elected Members, Leaders and Elected Mayors may serve. We are seeking views on a proposal the limit should be five terms for Elected Members, and a tighter limit of two terms for Leaders and Elected Mayors and for continuous service in a Council's Cabinet.

### 3.11 Recall of Elected Members

The Recall of MPs Bill,<sup>43</sup> currently making its way through the Houses of Parliament, causes a Member of Parliament to lose their seat and a by election to be held if ten percent of the electorate in the constituency sign a petition to call for this. Recall can only be triggered if certain conditions are met. Broadly speaking, these are that the MP has been convicted of an offence and imprisoned or they have been suspended from the House of Commons for at least ten days.

The Welsh Government would welcome views as to whether similar provisions should be put in place for Elected Members of Local Authorities. The conditions to trigger recall of an Elected Member in Local Government could include, for example, where sanctions have been imposed on a Councillor by a Standards Committee or the Independent Adjudication Panel following a breach of the code of conduct or failure to perform effectively as an Elected Member (see 3.5 above).

### 3.12 Electoral Qualification

There are certain legal restrictions on who may stand for elected office. For example, to stand for election to a Local Authority, a person must be over 18 and meet certain citizenship and local residency or working criteria. A person may also be disqualified from standing for a number of reasons, such as that they are employed by the same Local Authority or subject

39 Local Government Candidates Survey 2012, Welsh Government, 2013 <http://wales.gov.uk/statistics-and-research/local-government-candidates-survey/?lang=en>

40 For example, The Political and Institutional Effects of Term Limits, Sarbaugh-Thompson et al, 2004, Legislative Term Limits and State Aid to Local Governments, Yakovle et al, 2012

41 Representing the future – The report of the Councillors Commission, Councillors Commission, 2007 <http://webarchive.nationalarchives.gov.uk/20080910134927/communities.gov.uk/councillorscommission/>

42 <http://www.csbppl.com/2012/02/07/too-many-councillors-leaving-leaves-councils-too-homogeneous/> and The 2008 Survey of Local Election Candidates, IdeA 2008, <https://www1.plymouth.ac.uk/research/ceres/TEC/research/Surveys/Pages/2008-Local-Candidate-Survey.aspx>

43 <http://services.parliament.uk/bills/2014-15/recallofmps/documents.html>

of a bankruptcy restrictions order. This section seeks views on whether it should be easier for employees of a Local Authority to stand for election to the same Authority and whether there should be restrictions preventing Elected Members of Local Authorities also serving as either Assembly Members or Community Councillors.

The Assembly's Constitutional and Legal Affairs Committee, in its consideration of disqualifications from election to the Assembly, has raised the issue of Local Authority Elected Members serving as members of the National Assembly.<sup>44</sup> Given the demands on time and the potential for conflicts of interest, the Welsh Government would welcome views on whether Elected Members in Local Government should be disqualified from serving as an Assembly Member at the same time. Such a provision would be a matter for the Assembly and would not form part of the second Bill.

Almost half of all Elected Members of Local Authorities are also Members of one or more Community Council and many have served their political apprenticeship in Community Councils. It is important that this development path for elected representatives is preserved and encouraged. Nevertheless, we have seen very little evidence this has led to improved relations between Community Councils and Local Authorities, or to more extensive delegation of functions to Community Councils, or that Community Councils are an effective means for Local Authorities to engage with communities.

In addition, given the Welsh Government's intention to give powers to Local Authorities to review Community Councils (see 4.8 below), this would give rise to the potential for extensive conflicts of interest where Councillors serve on both Local Authorities and Community Councils. Therefore, we are seeking views on whether Elected Members of Local Authorities should be disqualified from serving on Community Councils.

Officers and staff in Local Authorities generally have a thorough understanding of their communities and a deep commitment to improving their well-being. Many would themselves make effective Elected Members, but there are restrictions on some senior employees of a Local Authority standing for elections.<sup>45</sup> In particular, although all Local Authority employees (including school staff) can stand for election unless they hold a politically restricted post (generally higher paid officers), none of them can stand for election to their own employing Authority. This makes sense from the point of view of them not being able to make decisions affecting their own employment conditions and the Welsh Government recognises the need for checks and balances to ensure the integrity and impartiality of advice offered by officers to Elected Members. However, given that Local Authorities are major employers in all areas of Wales, these restrictions may be preventing a wide range of suitable candidates from diverse backgrounds from coming forward to stand for election in their local area.

Whilst any person who is disqualified currently from standing may resign their post to stand for election, this is a significant disincentive due to the risk it carries for the individual. We are therefore seeking views on whether this disqualification should be reviewed to make it easier for the majority of Council officers to put themselves forward. In line with the recommendations of

<sup>44</sup> Disqualification of Membership of the National Assembly for Wales, Constitutional and Legislative Affairs Committee, National Assembly for Wales, 2014 <http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=3542>

<sup>45</sup> Various restrictions are set out in the Local Government Act 1992 and the Local Government and Housing Act 1989. See <http://www.electoralcommission.org.uk/i-am-a/candidate-or-agent/local-elections-england-and-wales>



the Electoral Commission,<sup>46</sup> we propose that Local Authority officers – other than those holding politically restricted posts – should be entitled to stand for election to their own Authority. Only if elected should they be required to resign their paid employment with the Authority. This will widen the pool of potential candidates while ensuring there is no conflict of interest once the candidate is elected.

### 3.13 The Role and Responsibilities of the Chief Executive

The term “Chief Executive” (occasionally “Managing Director”) is widely used throughout Local Government in Wales to denote the head of a Local Authority’s administration, but the title is not found in Local Government legislation. The principal responsibility of Chief Executives is to ensure the good governance of their Local Authority so that the organisation is capable of delivering the Executive’s objectives and discharging the other statutory functions of the Authority, in a way which is lawful and fiscally appropriate.

Section 4 of the Local Government and Housing Act 1989 places a duty on Local Authorities to designate one of their officers as the “head of their paid service” and Local Authorities must provide the Head of Paid Service with the staff, accommodation and other resources to allow him or her to perform their duties. The 1989 Act also places certain duties on the Head of Paid Service, namely that they must report to the Local Authority on the following “matters”:

- the manner in which the discharge by the Authority of their different functions is coordinated;
- the number and grades of staff required by the Authority for the discharge of their functions;
- the organisation of the Authority’s staff; and
- the appointment and proper management of the Authority’s staff.

The statutory role of Head of Paid Service is almost always exercised by the officer more usually referred to as the Chief Executive (or Managing Director), but there is nothing in legislation to require the Head of Paid Service to be combined with that of the Chief Executive, nor is there any statutory definition of any other duties of a Chief Executive in a Local Authority.

Chief Executives, where they are also the Head of Paid Service, are afforded an unusual degree of protection in their role, along with some other chief officers. This is to protect them from political interference. However, if the Chief Executive is failing in their responsibilities, this imperils local democracy and there must be a clear audit trail of objective setting and performance management to support the Council in taking decisive action. It is for this reason we have set out our intention in 3.3 above that the Leader should be required to manage the performance of the Chief Executive on behalf of the Council, and make annual reports to the Council on their performance. The protection afforded to chief officers, including Heads of Paid Service, must not prevent the Council from dismissing them without compensation where they are not performing their duties responsibly.

We believe Local Authorities must have a Chief Executive and that this person must be designated the Head of Paid Service. This requirement should not prevent a Chief Executive from being appointed jointly by two or more Local Authorities. In addition, as part of ensuring local accountability for performance and improvement, we propose to put five specific duties on the Chief Executive to:

1. make arrangements to prepare and publish a corporate plan;
2. make arrangements to prepare and publish annual self-assessments of corporate improvement and service performance;
3. commission a peer review every two years and prepare a report for the Council on actions to be taken following the recommendations of the peer review;
4. put in place a performance management system for all employees of the Local Authority; and
5. promote engagement and diversity in democracy.

The purpose of these duties is to ensure the effective governance of Local Authorities and to provide the Council with a sound basis for judging the performance of the Chief Executive. The first three are discussed in detail in Chapters 6 and 7 below. The requirement for a performance management system, linked to the corporate plan, is self-explanatory. The duty to promote engagement and diversity in democracy is discussed in 3.6 above.

In addition, we believe the Chief Executive should act as the Electoral Registration Officer and Returning Officer for Local Authority elections in the area, and that there should be no separate payments for these functions, which we consider central to the role of the Chief Executive. When the opportunity arises, we will legislate to give effect to this.

### 3.14 Term Limits for Chief Executives of Local Authorities

The Welsh Government believes there should be term limits on the appointment of Chief Executives. There is reason to believe that, in some circumstances, Chief Executives retaining their posts for long periods can lead to an entrenchment of power and influence within the Authority which can serve as an obstacle to effective relations between Elected Members and officers and threaten the independence of the Executive.<sup>47</sup> This phenomenon is not restricted to Local Authorities.<sup>48</sup>

In the Republic of Ireland, Chief Executives of Local Authorities are recruited through a competitive recruitment process organised by the Public Appointments Service. They are appointed for a period of seven years and the appointment may be extended by a maximum of three years.

In New Zealand, the Local Authority has to appoint a Chief Executive for a term of no more than five years. In the year before the contract expires, the Local Authority must review the Chief Executive's performance and their skill mix, and consider how the skill mix fits with the Local Authority's expected future needs. Based on that review, the Local Authority can then decide

<sup>47</sup> See for example the findings of the Peer Review of Carmarthenshire County Council, WLGA, 2014  
<http://www.wlga.gov.uk/previous-peer-reviews/>

<sup>48</sup> See, for example, Long CEO Tenure Can Hurt Performance, Luo, Kanuri & Andrews, Harvard Business Review, March 2013

either to reappoint the incumbent for another two years, without advertising or any other process, or to advertise the pending vacancy and start afresh.

We would therefore welcome views on a proposal to either set a limit on the length of an appointment of a Chief Executive or set a term period which would lead to a review before re-appointment could be considered. We consider that the Public Services Staff Commission, once established, would be best placed to take forward this work and develop proposals.

### 3.15 The Cost of Senior Management in Local Government

With regard to the pay of the officers of a Local Authority, we have already taken a number of steps to increase transparency so that the public can find out who earns what in Local Government. Under the Localism Act 2011, Councils must publish pay policy statements which set out the Council's policy for remunerating chief officers, as well as the lowest paid employees. The Localism Act 2011 provides Welsh Ministers with the power to issue guidance, which Councils must have regard to, on the preparation of pay policy statements. Our current Guidance recommends a full Council vote on the salary of new appointments and severance packages of £100,000 or above.<sup>49</sup> Under the Local Authorities (Standing Orders) (Wales) Regulations 2006, any decision to determine or vary the remuneration of chief officers must be made by full Council. Under the Accounts and Audit Regulations (Wales) 2005, Local Authorities are required to publish details of the salaries of Chief Executives and chief officers.

A new system for guarding against excessive salary awards for Chief Executives in Local Authorities was introduced in April 2014. This requires Local Authorities to consult with the Independent Remuneration Panel before deciding on any variation to the salary of their Chief Executive which is proportionally higher or lower than other employees. We believe similar safeguards should be introduced for all chief officers across Local Authorities in Wales. The Local Government (Wales) Bill proposes to extend the powers introduced by the Local Government (Democracy) (Wales) Act 2013 to cover all chief officers of Local Authorities in Wales, but only does so temporarily and only in relation to Local Authority mergers. We intend to make this element of control a permanent reform which will apply to all Local Authorities in the future.

The salaries of the senior management team in Local Authorities are determined by the Council. The salary range for Chief Executives of Local Authorities in Wales in 2012-13, excluding any extra fees they earn as Returning Officers for elections, was in the range £105,851 (Conwy) to £194,661 (Pembrokeshire). In comparison, in 2012-13 the salaries of Chief Executives of NHS Health Boards in Wales were in the range £135,000 to £200,000; Chief Constables, £133,068 to £154,370; and Chief Fire Officers, £116,387 to £131,187.<sup>50</sup> The Authorities in England most comparable in terms of their functions to Welsh Local Authorities are the Unitary Authorities. The average (mean) salary of a Chief Executive of a Unitary Authority in England in 2013 was £147,150, reaching £168,483 in the top quartile and £131,278 in the bottom quartile.<sup>51</sup>

49 In other words, by a vote of all Elected Members, both Executive and non-executive. It is not a decision that may be taken by the Executive alone or by a committee of the Council.

50 Senior management pay across the Welsh public sector, Wales Audit Office, February 2014  
<http://www.wao.gov.uk/publication/senior-management-pay-across-welsh-public-sector-memorandum-public-accounts-committee>

51 SOLACE evidence to the Communities and Local Government Select Committee Inquiry into Local Government Chief Officer Remuneration <http://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2010/chief-officers-pay/>

Under the Accounts and Audit Regulations (Wales) 2005, Local Authorities are required to publish details of their senior management, as defined by the CIPFA Code of Practice on Local Authority Accounting. The number varies considerably from place to place. According to Local Authority statements of accounts for 2013-14, in Blaenau Gwent and Neath Port Talbot there were just three senior managers, whilst in Caerphilly, Ceredigion and the Vale of Glamorgan there were four. Nine Local Authorities reported having ten or more senior managers, including 15 in Denbighshire and Merthyr Tydfil, and 17 in Conwy. Senior managers (excluding Chief Executives) earn salaries from £60,000 to almost £150,000. Across all Local Authorities in Wales, the total cost of Chief Executives and senior management was £25.7 million in 2013-14.

There is little justification for the wide variation in both the number and salaries of these senior posts, which is unrelated to the size of Councils. There is a good case for considering greater consistency across Wales.

The Welsh Government considers that the cost of senior management teams in Local Government in Wales is excessive. We intend to act to reduce the cost of politics and management of Local Government in Wales.

### 3.16 Senior Appointments to the New Authorities

We also need to consider the appointments procedure for Chief Executives and chief officers to the new Authorities. However, the issue of senior appointments in Local Government is part of the wider consideration that needs to be given to the development of leadership in the public service in Wales. The Commission on Public Service Governance and Delivery made a number of recommendations on leadership, culture and values. The Welsh Government committed to addressing these in the White Paper *Devolution, Democracy and Delivery: Improving public services for people in Wales*, by saying we were “exploring options for strengthening the process for senior public sector appointments, including developing a common framework of principles and considering the potential role of a public sector appointments commission”. There are existing models in New Zealand, the Republic of Ireland and Northern Ireland which could be adapted, one example of which is given below.

**CASE STUDY: Public Services Leadership – New Zealand**

There is much to learn from New Zealand about creating and maintaining a cadre of leaders and nurturing leadership capacity. The public service has a more defined single identity called 'New Zealand State Services', which includes over 100 organisations – the civil service, a wide range of government sponsored bodies and government owned enterprises, Crown Agents, the Police, further and higher education institutions, and health boards. New Zealand State Services does not cover Local Government, but leaders do work towards agreed national objectives. The role of the State Services Commissioner includes promoting collaboration, developing high-calibre leaders and evaluating their performance, overseeing workforce and personnel matters, and advising on the design and efficiency of public services.

The movement of leaders between 'Crown Entities' appears to be a cultural norm in New Zealand. Some ideas, such as common values, collective objectives, standards, and whole public service performance reporting, are becoming part of the way they do business. Growing talent at entry level and middle management is also important to provide strength, depth, challenge and capacity into the leadership cadre.

As a small nation, New Zealand routinely recruits talent from abroad, including from Wales. Economic migration from New Zealand is also common. New Zealand State Services maintain links with their leaders who choose to work abroad. Their talents and experience are utilised whilst abroad and when they return.

There also appears to be a stronger and more integrated delivery relationship between the public and private sectors. In New Zealand, public organisations often own organisations run on a commercial basis, providing services such as utilities, forestry and transportation. Whilst the primary intention is service delivery, as a by-product there is also a more fluid interchange at senior levels between the public and private sectors. This provides a wider and more dynamic leadership cadre at political, Board and officer levels.

The policy objective would be to give a more structured approach to developing the skills and careers of public service leaders in Wales, including the kind of entrepreneurial skills which Local Authority leaders will require to work with communities to establish new co-operative and social enterprise models of service delivery. There are a range of different options available. It may be possible to establish a Public Sector Appointments Commission to manage all senior appointments to Local Government. Its role would be to ensure all senior officers had appropriate leadership skills and competencies. Potentially this pool of leaders could be employed on a common basis so that as they moved between roles and between organisations in Wales, the public service was not subject to unnecessary severance and recruitment costs.

Alternatively, a Public Sector Appointments Commission could test the competence of potential candidates, based on role descriptions and grading provided by the Public Services Staff Commission (see 2.9 above). Local Authorities would be required to make appointments from among candidates who were approved by the Commission.

If there was no Public Sector Appointments Commission, the Public Services Staff Commission could be tasked with developing a framework and process for evaluating and grading all senior roles in the new Authorities, a role not dissimilar to that of the Commissioner for Public Appointments in Northern Ireland. It would remain the responsibility of the Local Authorities or shadow Authorities to make the new appointments but there would be consistency in the processes followed and the role descriptions and remuneration packages of the appointees.

The approaches outlined above would have the advantage of building a cadre of leaders with shared public service values, one of the central recommendations of the Commission on Public Service Governance and Delivery. We welcome your views on the establishment and remit of a Public Sector Appointments Commission.

### 3.17 We would like your views

The Consultation Survey asks questions on the following themes:

- Local Government elections
- The roles and responsibilities of Leaders, Cabinet Members and Elected Members
- Standards Committees
- Diversity of Elected Members
- Remuneration of Elected Members
- Number of Elected Members
- Restrictions on Elected Members and Electoral qualification
- Recall of Elected Members
- The role and responsibilities of Chief Executives
- Term limits for Chief Executives
- Remuneration and appointment of senior officers

## 4. Connecting with Communities

At the heart of our vision for Local Government in Wales is a new relationship with local communities. We propose to achieve this by giving Elected Members a leadership role at the head of Area Boards within their Local Authorities, in order to ensure the new, larger Authorities are closer to their communities.

As part of this, we need to raise the ambition of Community Councils so they are better placed to deliver important community services in the future. This means building their capacity and capability, as well as strengthening their governance and their engagement with other services and the third sector. We propose to give a power to Local Authorities to review Community Councils in order to achieve these objectives, and to complete these reviews by 2022.

### 4.1 Introduction

Rising pressures on public services and diminishing resources means in future Local Authorities may have to do less directly in some areas themselves. Activist Councils must be agents of change in communities, supporting and enabling communities to do more for themselves. Local Authorities have always had a role in building community capacity, capability and resilience but traditional service based departmental structures and Cabinet portfolios have sometimes served to reinforce silos, rather than joining up services based on community needs.

There is growing consensus that the future of public services lies in the quality of the relationship between service providers and local people<sup>52</sup> and we agree with the Wales Council for Voluntary Action that we should be “*putting people at the centre*”, treating people and communities as equals in design and delivery.<sup>53</sup> We commissioned research into how we could better bring the power of local people into local public services.<sup>54</sup> This clearly showed we can and should be involving services users, the people who support them and front-line staff at every stage: prioritising, commissioning, designing, delivering and assessing services. This is not about consultation. It is essential, of course, that Councils should engage and consult with the public over big strategic decisions, like the annual budget or Council Tax levels. But consultation is not the same as involving people routinely in how services are delivered.

For most people, most of the time, Council services happen as a matter of routine. The bins are collected, the day care centre opens, there is internet access in the library. Most of us engage more intensively from time to time, such as when we have to choose schools for our children,

52 See, for example, The Relational State, IPPR, 2012 <http://www.ippr.org/publications/the-relational-state-how-recognising-the-importance-of-human-relationships-could-revolutionise-the-role-of-the-state>

Making Sense of the Future, INLOGOV, University of Birmingham, 2013 <http://www.birmingham.ac.uk/schools/government-society/departments/local-government-studies/news/2013/07/new-book.aspx>

Moving beyond the market: a new agenda for public services, NEF, 2014

<http://www.neweconomics.org/blog/entry/the-market-is-failing-public-services-whats-the-alternative>

The Condition of Britain, IPPR, 2014; <http://www.ippr.org/publications/the-condition-of-britain-strategies-for-social-renewal>

53 Putting people at the centre, WCVA, 2014 <http://www.wcva.org.uk/about-us/news/2013/10/putting-people-at-the-centre-will-transform-public-services>

54 Bringing the Power of the Citizen into Local Public Services – an Evidence Review, Tony Bovaird and Elke Loeffler, Welsh Government Social Research, 2014 <http://wales.gov.uk/statistics-and-research/democracy-community-governance/?lang=en>

arrange home services for an elderly parent or respite care for a disabled child. At these times, people expect to have a say because what happens affects us greatly. They may need to make new travel arrangements, or change their work patterns, or make adaptations to our home. As service users, or families of service users, their own contribution is an essential part of the solution.

People also want a say before Local Authority services are changed or stopped. Sometimes they value such services sufficiently to get involved in community action to preserve them. Community bodies have a right to be given that opportunity and to be granted sufficient time to develop proposals and make arrangements. Councils can play a crucial role helping communities come together to form social enterprises or community trusts to take over facilities and services which are important to them. We will deal with this aspect in the next Chapter.

However, people demand more than this of our Councils in the 21st Century. They want to know their Councils are shaping the places where they live to make them great places to be. People want to know their Council is attracting investment and jobs, connecting the places where people live with the places where they work, joining people together through superfast broadband, making sure there are rich and vibrant amenities – lively high streets and shopping centres, theatres, museums, sports stadiums, conference centres, parks and green spaces, waterfronts and great events. In Wales, we want activist Councils.

This demands civic leadership. It depends on trust between Councils and residents, and people feeling able to influence decisions. It means the Council workforce involving people in decisions and shaping services, and Councillors who stand up for those they represent to make sure this happens. Of all the public services, Local Government is unique in having elected representatives whose whole purpose is to nurture this relationship with the public. It is time to revitalise the civic leadership role of Elected Members .

## 4.2 Community Leadership

The Local Government Act 2000 introduced the concept of community leadership. This was not a new concept for Local Authorities and recognised the important role they have always played in standing up for the people they represent. However, the Act enabled Local Authorities to exercise this role through the preparation of Community Strategies, in conjunction with local public service partners. These strategies are intended to enhance local well-being by improving policy and service coordination, tackling cross-cutting issues and targeting resources at community policies.<sup>55</sup> They are also intended to shift the focus from the service provider to the service user.

The Welsh Government's evaluation of Community Strategies<sup>56</sup> found they were not engaging Elected Members and local communities, and were being submerged under a welter of other partnerships, plans and strategies. In response, the Welsh Government rationalised the statutory plans, leading to the introduction of Single Integrated Plans in 2013. The Well-being of Future Generations (Wales) Bill goes further by proposing to make Public Services Boards

<sup>55</sup> The Limits of Co-ordination: Community Strategies as Multi-purpose Vehicles in Wales, Sullivan & Williams, Local Government Studies, Vol.35, No. 2, pp.161-180, April 2009

<sup>56</sup> People, Plans and Partnerships: A National Evaluation of Community Strategies in Wales, Welsh Assembly Government, 2006, 1.9 <http://wales.gov.uk/topics/localgovernment/research/communitystrategies/?lang=en>



statutory partnerships, whose members<sup>57</sup> share joint responsibility for preparing local well-being assessments and Local Well-being Plans, which will replace Community Strategies and Single Integrated Plans.

While this will strengthen the integration of public services, with a strategic focus on ‘place’, we believe there needs to be a strengthening of the role of Elected Members within larger Local Authorities to ensure voices in their area are heard and given a clear path to influence decision-making in their Local Authority and Public Services Board. We believe the representative role of Elected Members can be strengthened by putting in place new area governance arrangements which give a prominent role to Elected Members.

### 4.3 Community Governance in Wales

Community governance is the way in which people in local areas or neighbourhoods organise themselves to identify their priorities, manage their assets and influence the decisions of public services. There are a variety of community governance approaches in Wales, some statutory, many voluntary (but governed by charitable law), and some informal. These include but are not limited to:

- Area Committee arrangements in Local Authorities;
- statutory bodies, such as Community Councils and Community Health Councils;
- partnerships between Local Authorities, other public services, voluntary groups and others, such as neighbourhood partnerships and area boards;
- third sector bodies such as Community Voluntary Councils, community development trusts, advocacy groups, social enterprises;
- partnerships which are a result of public funded programmes such as Communities First and regeneration partnerships;
- partnerships developed by other public services, such as environmental partnerships and the Partnerships and Communities Together (PACT) community engagement approach of the Police.

This crowded landscape is rich, but also makes it difficult for the views of the community to be expressed and heard in a coherent way. Individual groups, including those representing the vulnerable and marginalised, can struggle to get access to decision makers, or enter into a dialogue with public services. Building relationships of trust with public services is problematic and ‘bottom up’ initiatives are difficult to develop and implement. Without a conduit for communities and Local Authorities to engage on a continuing basis, engagement usually happens too close to decisions being made or even after decisions have been made. This results in lost opportunities for communities to manage their future.

The Welsh Government is proposing Elected Members should have a strengthened role in leading their communities and providing this conduit. We believe this is essential to ensure open and transparent decision-making and so people can see the difference their involvement in local democracy makes. This will demand new skills of Elected Members. As the former Archbishop of Canterbury put it in his Bevan Foundation lecture of 2002:

<sup>57</sup> The proposed statutory members of Public Services Boards will be Local Authorities, Local Health Boards, Fire and Rescue Authorities and Natural Resources Wales.

*“one of the things we are short of at the moment is brokering skills in communities ... By brokering, I mean the presence of those who are able to facilitate conversation about common goals, conversation beyond competition, and to ask about corporate needs and opportunities.”*

We will expect to see a system of community governance form the core of an Authority's values and determine the design of its corporate systems and operating model, that is, its management and workforce structures, its performance systems and its engagement processes.

#### 4.4 Community Governance Case Studies

The Commission for Public Service Governance and Delivery recommended that Local Authorities should develop, adopt and implement a neighbourhood management<sup>58</sup> or similar approach to engaging with local people to identify, prioritise and address local social, economic and environmental issues. The Welsh Government agrees. We commissioned research into the extensive literature on community governance to help develop our options.<sup>59</sup> This research highlights the key rationales for adopting an area or neighbourhood approach as:

- civic rationale: allowing a more meaningful dialogue between people and public service providers;
- social rationale: involving people in commissioning and delivering public services;
- political rationale: enabling people to understand how decisions are made locally and how they can influence those decisions;
- economic rationale: commissioning services in a joined up way to address the specific needs of different neighbourhoods.

These support precisely the reform we wish to see in the relationship between Local Government and local communities.

Neighbourhood or area management can take a number of different forms with different names but they have a great deal in common, as the following case studies illustrate.

<sup>58</sup> For further information on neighbourhood management see, for example, Neighbourhood Management Pathfinders: Final Evaluation Report <http://www.sqw.co.uk/files/5713/8712/8264/80.pdf>

<sup>59</sup> Community Democratic Governance: Evidence Synthesis and Advice, Tony Bovaird, INLOGOV, University of Birmingham, Welsh Government Social Research, 2014. <http://wales.gov.uk/topics/justice-and-research/democracy-community-governance/?lang=en>

### **CASE STUDY: Neighbourhood Partnership – Wales**

The neighbourhood partnerships approach in Cardiff was developed by the Cardiff Partnership Board as a response to significant inequities in outcomes for people living in different areas of the city.<sup>60</sup> There are six multi-agency neighbourhood partnerships, each led by a lead Elected Member and supported by a neighbourhood officer who is an employee of Cardiff Council. Each partnership has an action plan which addresses the neighbourhood's priorities within the framework of Cardiff's Single Integrated Plan, for example, by providing community grants or shaping local programmes to tackle the problem of young people not in employment, education or training. The Cardiff Council ward Members for each neighbourhood meet together regularly to review progress and provide strategic oversight.

The Wales Audit Office conducted a two-part review of Cardiff's neighbourhood approach, in 2012 and 2013.<sup>61</sup> Their overall conclusion was that by working collaboratively with partners, the Council has engaged with local people to identify local priorities and support activities and schemes which deliver improvements but the sustainability of arrangements and performance management need further development.

Similar approaches are emerging elsewhere. For example, Newport is implementing an approach based on three areas, while in Monmouthshire there are four areas. Powys is piloting a similar approach in Newtown, anticipating roll out focusing on seven market towns and their surrounding areas across the county.

<sup>60</sup> [http://www.cardiffpartnership.co.uk/content.asp?nav=263&parent\\_directory\\_id=2](http://www.cardiffpartnership.co.uk/content.asp?nav=263&parent_directory_id=2)

<sup>61</sup> *ibid*

### **CASE STUDY: Area Boards – Wiltshire**

The Wiltshire Area Boards are a way of working to bring local decision-making back into the heart of the community. They are a formal part of Wiltshire Council that try to find solutions for local issues such as road repairs, traffic problems and speeding in villages, litter, facilities for young people and affordable housing.

People who work with the 18 Area Boards include Councillors, community area managers, democratic service officers, together with one member of the Council's Cabinet. It also includes the local NHS, fire and emergency services, Police, town and parish councils, community area partnerships and many other groups.

By working in partnership with local communities, the Council believes it can achieve much more than it ever could on its own. They hope this will lead to better services, better communities and a better quality of life for everyone in Wiltshire.

**CASE STUDY: Community Boards – New York**

There are 59 Community Boards in New York City. The Boards are made up of members appointed from the neighbourhoods in the community, with an ex officio role for the New York City Councillors for the area.

The Boards have a strong advocacy role. The Community Board's district manager will deal directly with the service delivery organisations in the area to resolve problems and improve services. The organisation of front-line services is aligned with the Community Board areas. Each Board has a local community plan and each year prepares a 'Statement of Community District Needs' which it presents to the New York City Mayor and City Council. The Mayor must show how he has responded to the Community Boards' statements of needs in his annual budget.

All Community Board meetings are open to the public who may address the Board on any community matters.

**CASE STUDY: Counties and Municipal Districts – Ireland**

In Ireland, the reforms introduced by the Local Government Act 2014 abolished Town Councils, the lower tier of government. The reforms are designed to enhance democratic governance, subsidiarity and accountability, removing the anomaly of residents in many towns having double votes and two sets of Councillors (Town and County), with some small centres having a Town Council while certain other larger centres had not.

The 31 Counties are now divided into 95 Municipal Districts. The Councillors elected to the Municipal Districts collectively form the County Council. The County Council provides a single county wide executive and operational structure and exercises strategic functions. The Municipal Districts have community functions delegated to them. They are decision-making bodies but they are not corporate structures.

## 4.5 Member-led Community Governance

The Welsh Government considers that an inclusive and participative neighbourhood or area approach, led by Elected Members, is a model of community governance which can and should be adopted by all Local Authorities in Wales. This will ensure, with fewer, larger Local Authorities, that communities play a greater role than at present.

The case studies above are a mix of statutory and voluntary arrangements. Neither is necessarily more effective. However, the Welsh Government does not consider the Area Committees which exist in some Welsh Local Authorities are fit for purpose. Just as we are asking the Executive in Local Authorities to share more power with ordinary Elected Members, so Elected Members must share power with their communities. This is because we do not believe that representative democracy and participative democracy are mutually exclusive. Area Committees which do not give an equal place at the table to community bodies, the third sector or other public services, and which engage directly with and are directly accessible to the public, including children and young people, are not sustainable.

Our research suggested a number of ways forward, from entirely voluntary arrangements to an imposed national system.<sup>62</sup> Our preferred option is a national framework which requires Local Authorities to put in place a community governance system meeting certain guidelines, but passing responsibility to Local Authorities for how this is designed in their area. In particular, this would include how the ‘operational’ Area Boards, whose focus is on making an immediate and tangible difference in communities, will work with the ‘strategic’ Public Services Boards proposed under the Well-being of Future Generations (Wales) Bill, whose focus is generally on the longer term. We are therefore intending to introduce legislation to ensure Local Authorities establish ‘Area Boards’ which reflect modern, inclusive, participatory principles, with a guaranteed role for community bodies, the third sector, Community Councils and other public services.

We recognise the potential for increasing complexity if Area Boards are imposed on top of existing structures, but we do not believe this is a significant risk. In areas which are already implementing neighbourhood or area approaches, this is encouragement to go further, faster. In areas where there are currently Area Committees, these should be replaced with a more inclusive approach. In Local Authorities where no such approach is currently in hand, this is a clear signal that the Welsh Government considers Member-led community governance to be an essential part of local democracy.

The real issue is the extent to which Area Boards might have responsibilities and budgets delegated to them and whether they are able to influence services in their area by entering into a dialogue directly with the Local Authority officers who have day to day responsibility for delivering those services. Leaders and Executives in Local Authorities must recognise the value of supporting Member-led community development and be bold and ambitious in empowering Area Boards to achieve this.

In addition to managing local responsibilities and budgets, there is an opportunity for Area Boards to take on the current and future responsibilities for area based initiatives, including those funded by UK and Welsh Government programmes. Work that has been undertaken on

<sup>62</sup> Community Democratic Governance: Evidence Synthesis and Advice, Tony Bovaird, INLOGOV, University of Birmingham, Welsh Government Social Research, 2014. <http://wales.gov.uk/topics/s-and-research/democracy-community-governance/?lang=en>

Total Place and community budgeting has a direct relevance here.<sup>63</sup> The Welsh Government considers there are significant further opportunities for rationalising partnership working at the local level and bringing it under the control of Elected Members. This is an agenda which should be taken forward vigorously by Local Authorities.

#### 4.6 Definition of Areas

The Well-being of Future Generations (Wales) Bill makes provision for the Welsh Ministers to determine the 'communities' in each Local Authority area or, where they have not done so, for Local Authorities to do so themselves. In the Bill, 'communities' has a general meaning of places within the Local Authority, which together cover the whole of the Local Authority area. It does not mean communities, as defined in the Local Government Act 1972, which are the small geographic units that form the basis for Community Councils.

In the Bill, the reason for defining communities is to ensure the assessment of local well-being is conducted in a way which enables the Public Services Board to identify the different needs of different parts of the Local Authority area. We believe the communities which will be identified under the Bill, when it is enacted, should form the basis for Local Authorities' Member-led Area Boards in the future. However, our view is that no Local Authority can engage effectively with large numbers of community governance structures, such as the 111 Community Councils in Powys. Local Authorities should take a pragmatic view, drawing on best practice elsewhere.

#### 4.7 Community Councils

The report of the Commission for Public Service Governance and Delivery (3.120-3.130) expressed major concerns around the number, scale, representativeness and accountability of Community Councils, concluding the sector was in need of reform and Community Council areas should be merged or enlarged. The Welsh Government agrees.

#### Community Councils: Headline Facts<sup>64</sup>

735 Community Councils cover approximately 96% of Wales' land surface, including 70% of its population. There are few Community Councils in Cardiff, Merthyr Tydfil, Newport, Neath Port Talbot, Rhondda Cynon Taf and Swansea.

Community Councils spend over £40 million a year, of which £30 million is raised through a precept on the Local Authority Council Tax. On average, Community Council precepts rose by 88% between 2002-03 and 2012-13. The highest precept is £959,930.

At the last election, only one in five Community Councillors was elected through public poll. 67% of seats were uncontested and there were no candidates in a further 12% of seats.

On average, 45% of County Councillors are also Community Councillors. This ranges from none in Merthyr Tydfil to 87% in Wrexham and 99% in Flintshire.

<sup>63</sup> Total Place and, more recently, community budgeting are two similar approaches which aim to take a 'whole area' approach to public services, leading to better services at less cost. They seek to identify and avoid overlap and duplication between organisations, delivering a step change in both service improvement and efficiency at the local level, See, for example, <http://www.communitybudgets.org.uk/>

<sup>64</sup> Developing a Comprehensive Understanding of Community and Town Councils in Wales: Evidence review for the Welsh Government, Woods, Aberystwyth University, 2013 <http://wales.gov.uk/statistics-and-research/developing-comprehensive-understanding-community-town-councils-wales/?lang=en>

There are 8,069 Community Councillors. 68% are men; 80% are aged over 50, 60% over 60. 99.5% are white.

72% of Community Councils serve populations of less than 2,500, but they range from 179 (Ganllwyd) to 45,145 (Barry).

There is just one Community Council in Merthyr Tydfil, 77 in Pembrokeshire, and 111 in Powys.

One of the great strengths of Community Councils is that they are closer to local people than any other tier of government. Yet, in practice, the quality and openness of interaction with the public by Community Councils can vary significantly.<sup>65</sup>

As Community Councils are not required to submit reports or be subject to performance or improvement regimes, there has historically been a dearth of information about their activities and added value. A report by the Wales Audit Office in 2013 on Community Council accounts found systemic weaknesses, and in 2014 they reported there had been little improvement.<sup>66</sup> The Welsh Government commissioned research into their role, functions and potential in 2002,<sup>67</sup> a survey of Community Councils in 2010<sup>68</sup> and further research in 2012.<sup>69</sup> The reports identified a range of good practice and potential for further development but they also acknowledged some key issues:

- the limited extent to which Local Authorities have delegated functions to Community Councils;
- a range of capacity issues associated with smaller Community Councils;
- the quality of their relationship with Local Authorities;
- the legitimacy of their democratic mandate;
- the financial management structures of smaller Community Councils;
- the demographic profile of Community Councillors; and
- their connection with local communities.

In 2014, the Welsh Government commissioned a survey of the public's perceptions of Community Councils.<sup>70</sup> The report highlights that there is generally a high level of awareness of Community Councils, they are valued by communities and effective engagement increases satisfaction. However, there is a lack of awareness of what they do and some confusion with

65 *ibid* section 23

66 Improving Financial Management and Governance: issues from the Audit of Community Council Accounts 2011-12, WAO, 2013 <http://www.wao.gov.uk/publication/improving-financial-management-and-governance-issues-audit-community-council-accounts>; Financial Management and Governance in Local Councils 2012-13, WAO, 2014. <http://www.wao.gov.uk/publication/financial-management-and-governance-local-councils-2012-13>

67 Research Study into the Role, Functions and Future Potential of Community Councils in Wales, University of Wales Aberystwyth for Welsh Government, 2003 [http://www.aber.ac.uk/communitygovernance/39204\\_ENGLISH.pdf](http://www.aber.ac.uk/communitygovernance/39204_ENGLISH.pdf)

68 Community and Town Councils Survey 2010: Findings report, Welsh Government, 2011 <http://wales.gov.uk/topics/localgovernment/research/commtcsurv1011/?lang=en>

69 Developing a Comprehensive Understanding of Community and Town Councils in Wales: Evidence review for the Welsh Government, Aberystwyth University for Welsh Government, 2013 <http://wales.gov.uk/statistics-and-research/developing-comprehensive-understanding-community-town-councils-wales/?lang=en>

70 Community and Town Councils in Wales, IFF Research for Welsh Government, 2014 <http://wales.gov.uk/statistics-and-research/developing-comprehensive-understanding-community-town-councils-wales/?lang=en>

Local Authorities' functions. There is considerable confusion over the amount of precept raised by Community Councils.

#### 4.8 Local Authority Review of Community Councils

The Welsh Government recognises the good work that Community Councils can do (see 5.2 below, for example). However, we also believe there is a clear case for reform. Community Councils must be more ambitious, partnership orientated, open and transparent if they are to play an active role in meeting the needs of communities and providing vital public services during a period of continuing financial austerity. They can no longer continue to do the same things in the same way, raising the same precept and be merely 'the icing on the cake'. In particular, we wish to see Community Councils being more actively involved in participating in services which meet the needs of vulnerable groups in communities, such as children and families, young people, and the frail elderly.

The Well-being of Future Generations (Wales) Bill will require Community Councils with a turnover of £200,000 or more to show how they are contributing to achieving the well-being objectives in their area, as set by the Public Services Board. This is an important reform, because it establishes the work of Community Councils as part of the wider public service and requires them, locally, to contribute to shared public service objectives. This is a proper and effective use of public money.

However, only a small number of Community Councils, fewer than ten percent, will be affected by the Bill's provisions. We believe all Community Councils are part of the public service and should be contributing to the well-being objectives in their Local Authority area, working with the Elected Member-led Area Boards proposed above. This is why we concur with the findings of the Commission on Public Service Governance and Delivery that there should be fewer, larger Community Councils.

Many Community Councils have also argued the Principal Local Authorities should delegate more responsibilities to them. We agree, but in order for this to happen they must have appropriate capacity and capability. Implementing structural reform, as proposed by the Commission, either through merging or enlarging Community Council areas, will help achieve this.

The Welsh Government is responsible for leading reform of Local Authorities in Wales. On the principle of subsidiarity, we believe reform of the Community Council sector should be led by the Local Authorities, as happened previously under the Local Government Acts of 1929 and 1958. They are best placed to do this through their community leadership responsibilities, and as part of establishing coherent Member-led community governance in their areas. Local Authorities currently have powers to conduct community reviews, and the Local Democracy and Boundary Commission for Wales has a role in reviewing all Local Government areas in Wales and the electoral arrangements for Community Council areas.

We propose to give more extensive powers to Local Authorities to review the structure, role, and governance of Community Councils within their areas, with a view to achieving fewer, larger Community Councils, and for this to be completed by 2022. We welcome views on how this could be achieved effectively.



#### 4.9 Community Council Governance and Standards

In addition to the structural reform of Community Councils, detailed above, there is a strong case for bringing more consistency to the sector, with higher standards of governance and financial management, professional capacity and capability, and greater democratic accountability. This would enable Local Authorities to work effectively with the sector, and provide communities with more confidence in their Community Councils. The Welsh Government is proposing a number of ‘competency’ tests, with Community Councils who meet these tests being deemed ‘competent’. These tests might include:

- a democracy test: at least two-thirds of the Councillors on a Community Council have been declared elected at either an ordinary election or a by-election;
- a capability test: the Community Council must employ a clerk with relevant professional qualifications. Relevant qualifications might include Certificate in Local Council Administration; Certificate of Higher Education in Local Policy; Certificate of Higher Education in Local Council Administration; the first level of the foundation degree in Community Engagement and Governance awarded by the University of Gloucestershire; or qualifying professional status such as a lawyer or accountant;
- a capacity test: the Council has a minimum annual budget of £200,000; and
- a governance test: the Council has implemented a sound system of financial management and internal control in line with statutory requirements,<sup>71</sup> and meets certain other criteria such as having a website on which it publishes agendas, minutes and accounts and being contactable by email.<sup>72</sup>

We propose that competent Community Councils should acquire a number of privileges over other Community Councils:

- we will extend the general power of competence to competent Community Councils, while prescribing that Community Council funding can not be used for political purposes. A competent Community Council would not be subject to the section 137 limits of the Local Government Act 1972;
- they will be deemed to be community bodies, with certain rights or entitlements, as set out in the next Chapter; and
- they will not necessarily be subject to capping of the precept. We propose other Community Councils should be subject to a cap on the annual increase in the precept which could be the same as the percentage increase in the Principal Local Authority’s Council Tax in the same financial year.

More generally, given their greater capacity and capability and on the principle of subsidiarity, we would expect to see more extensive delegation of functions from Principal Local Authorities to competent Community Councils.

Community Councils which can demonstrate they meet these competency tests will need to pass a resolution to that effect and notify a committee of the Local Authority in their area. The Local Authority would be required to nominate one of its committees for this purpose.

<sup>71</sup> The Accounts and Audit (Wales) Regulations 2005

<sup>72</sup> Local Government (Democracy) (Wales) Act 2013

The committee nominated by the Local Authority should have powers to require a Community Council at any time to demonstrate its continuing competence and if it is not satisfied, revoke the Community Council's competency qualification.

At present, fewer than ten percent of Community Councils pass the proposed capacity test (annual budget of £200,000). We wish to see this number rise significantly. We will expect the review of Community Councils by Local Authorities to significantly reduce the overall number of Community Councils and increase the number of potential competent Community Councils.

We will also consider what other governance and transparency arrangements should apply to Community Councils, as they do to Elected Members of Local Authorities, in order to improve their accountability. This might mean, for example, a requirement on the Chair of the Community Council to publish an annual report, which could also incorporate the reporting requirement which is proposed in the Well-being of Future Generations (Wales) Bill, to set objectives for, or otherwise manage the performance of, the clerk to the Community Council, and for the public to have a right to attend, speak at and record meetings of their Community Council, including film and video recording. We will also clarify the legislative framework governing community polls.

#### 4.10 Community Councillors serving on more than one Community Council

In 3.12 above we seek views on whether a Community Councillor should continue to be able to serve as an Elected Member of a Principal Local Authority at the same time. At present, some Community Councillors also serve on more than one Community Council. We are seeking views on whether a person should be able to serve on more than one Community Council at the same time.

#### 4.11 We would like your views

The Consultation Survey asks questions on the following themes:

- Member-led Area Boards
- The reform of Community Councils

## 5. Power to Local Communities

**In order to realise our ambition of Local Authorities which actively share power and responsibility with the communities they serve, we set out in this Chapter the role we see for mutualism, co-operation and shared ownership in the transformation of public services. We set out the way in which communities can engage with Local Authorities in joint endeavour and how people can protect land and property of community value for the future.**

**We intend to achieve this by giving community bodies a number of rights which they can exercise in relation to services and assets.**

### 5.1 Introduction

Effective community involvement requires us to establish a framework which allows for greater sharing of power and responsibility between Local Authorities and the communities they serve. This will enable communities to go beyond having their voice heard to actively taking responsibility for the changes and improvements they wish to see in their community.

Our vision for Local Authorities in Wales is that they become activist Councils, taking action to support and improve the well-being and resilience of their communities.

We believe that control over public services in a place should be democratically led, and we will retain the public sector as the primary deliverer of our priorities in Wales. Improving performance and cost reduction can be assisted by contestability through comparison, challenge and collaboration.

The Welsh Co-operative and Mutuals Commission argued in February 2014 that a historic opportunity has opened up for an alternative approach to economic development, public policy and service provision, based on mutualism, co-operation and shared ownership, creating the opportunity for better government and a fairer society.

The Commission concluded that new ways of delivering public services must be found, with co-operatives and mutuals playing a vital role in this process, encouraging innovation, developing new sources of income and meeting people's needs. The Commission believes strongly that public service providers should seek advice on co-operative and mutual business models from specialist business advisors, and engage early and in a meaningful way with its workforce when they are considering changes. However, it found that there are at present few sources of specialist expertise.

We will work with Local Authorities and the third sector to create meaningful contestability, so that Local Authorities procure services from the best value provider, subject to exacting social principles. We will help Councils work with other Councils, Community Councils, co-operatives and mutuals, and their local community to develop new models of service delivery. We welcome insourcing where this provides better value and better services for our communities.

## 5.2 New Models for Future Delivery

There is a long tradition of ethical entrepreneurship in Wales. The Welshman Robert Owen was one of the founding fathers of the co-operative movement in the nineteenth century. His legacy in Wales today includes hundreds of small community trusts, co-operative firms, mutuals and social enterprises. But there are also some big players – the housing associations who build, manage and maintain much of our social housing; Glas Cymru, owner of Dŵr Cymru Welsh Water; agricultural and dairy co-operatives; firms at the cutting edge of innovation such as Dulas and Aber Instruments; as well as credit unions and building societies such as the Principality. The Welsh Co-operative and Mutuals Commission recently identified a range of new opportunities for ethical enterprise in major sectors such as energy, social care, leisure and transport.<sup>73</sup>

Some Local Authorities have shown growing enterprise in stimulating opportunities for social and community enterprise, although their actions are often motivated by financial necessity rather than innovation and opportunity. Therefore, we believe communities must be empowered to initiate action themselves. We will give community bodies a range of rights which will enable them to become involved in local services and take responsibility for community assets.

Local Authorities will need to provide the leadership and expertise to make things happen, and Elected Members will have a crucial role as agents of change in the community.

In July 2013, for example, Torfaen County Borough Council transferred three major sports and leisure facilities – Pontypool Ski Slope, Cwmbran Stadium and Fairwater Leisure Centre – to a community trust. Torfaen Leisure Trust is run by a board of trustees made up of local volunteers with a huge range of business and public sector experience, as well as Elected Members.

The Trust is now able to access the finance to make major improvements. Just across the Afon Llwyd river from Cwmbran, Croesyceiliog and Llanyrafon Community Council have created a community trust jointly with the Woodland Road Sports Association to run the Woodland Road centre. The centre has over 35,000 visits every year and the community trust will enable them to bid for funding to improve the facilities. During 2014, Neath Port Talbot County Borough Council transferred a number of library facilities to different community groups, including to community trusts and Community Councils. In Powys, a dance company which has been run by the Local Authority for the past 35 years is at present being handed over to a charitable incorporated organisation with a board of trustees.

The Welsh Government believes there is significant untapped potential in the power of community enterprise. The Social Services and Well-being (Wales) Act 2014 will require Local Authorities to promote the development of co-operatives and mutuals in the field of social care. In the coming months, we intend to work with and through the Wales Co-operative Centre to develop best practice guidance for Local Authorities and facilitate the engagement of social enterprises, co-operatives and community groups in future service provision. We also provide support for the Wales Council for Voluntary Action, who are leading the way on innovative funding models, such as the Wales Well-being Bond. We now need to empower communities to innovate.

Managing this complex environment will require a different approach to local governance and leadership of the highest calibre. This is not a license or an encouragement for Local Authorities

<sup>73</sup> Report of the Welsh Co-operative and Mutuals Commission, Welsh Government, 2014 <http://wales.gov.uk/topics/businessandconomy/business-wales/welsh-coop-mutuals-commission/?lang=en>

to wash their hands of some services or not to care about some aspects of well-being in their area. Quite the opposite. In addition, in transferring assets or services to community bodies or social enterprises, it is essential Local Authorities ensure the rights of children and young people and Welsh language speakers are protected.

### 5.3 Community Participation

The Welsh Government considers that a community's ability effectively to influence how local services are delivered is dependent on their being able to engage in discussions with a Local Authority about the services that matter to them.

Where a community body (see 5.6 below) believes it could help improve a service, it will be able to make a request to the Authority setting out how it considers it could help improve that service. The Local Authority would be required to respond promptly and engage actively with the community body to take the work forward, unless there were valid reasons for not doing so. There would need to be safeguards to prevent abuse and vexatious requests.

We envisage community bodies using such a power to open a dialogue with their Local Authority as to how a service could better meet the needs of the community or specific users. This might mean, for instance, agreeing improvements in the way services are designed, how they are delivered, such as where, when and by whom, or enhancing the service with additional community effort where appropriate, such as volunteers working alongside Council staff or joining up statutory and voluntary services. This will provide a formal route for communities to work with Local Authorities, combining the experience and insight of service users and communities alongside professional expertise.<sup>74</sup>

A community body could, subject to their having the necessary capacity and capability, propose that they take on the delivery of the service themselves. If the Local Authority agreed, in most circumstances this would then trigger an appropriate procurement process.

This proposal will require Local Authorities to develop new skills to facilitate joint working around the needs of services users. They will need to focus not only on the resources available to them within the Council but also on harnessing the capabilities of communities and the third sector. This will need a significant cultural change within Local Government and leadership which actively seeks opportunities to share power with communities.

### 5.4 Property Transfer to the Community

Local Authorities own a large variety of property or assets, both land and buildings, which contribute to community well-being. In the broadest sense, these assets already belong to the community but in certain circumstances, Local Authorities may wish to transfer the running or ownership of property to a community body. Asset transfer is not a new concept. The Local Government Act 1972 (General Disposal Consent (Wales) 2003) provides that Local Authorities may dispose of land, including for less than market value, where the disposal is in the interests of the economic, social or environmental well-being of its area.

The ownership or management of property by a community can deliver positive benefits by increasing community confidence, allowing the community to drive its own regeneration

<sup>74</sup> The theoretical underpinning for this approach is set out in a briefing note commissioned by the Welsh Government, Bringing the power of the citizen into local public services, Bayard and Loeffler, 2014 <http://wales.gov.uk/statistics-and-research/democracy-community-governance/?lang=en>

objectives, tailor services to their needs and increase local jobs and skills. The Welsh Government has an excellent record of supporting communities to own and manage property and land. The Community Asset Transfer Programme was a £13 million joint venture between the Welsh Government and the Big Lottery Fund, while the current Community Facilities Programme offers capital grants of up to £500,000 to community and voluntary bodies, including social enterprises. As the proposed merger of Local Authorities proceeds, the Welsh Government expects the new Local Authorities will have assets which they will wish to release. These provisions are intended to facilitate more widespread transfer of assets to the community.

At present, asset transfer must be initiated by the Local Authority. We are proposing that eligible community bodies should be able to start the process of asset transfer through a request to their Local Authority. This right could also be used by a community body where a Local Authority is proposing to close a facility and has not first offered the community sufficient opportunity to take it over. This will guarantee community bodies a certain amount of time in which to develop their plans.

A community body would need to demonstrate the viability of its proposed use of the property and evidence that it has the capacity to appropriately manage and develop the property. Community bodies will need to demonstrate community support for their proposals and a commitment to accountability, open access and maximising the use of an asset by and for the community. There will be a need to ensure community assets are retained in community ownership, with appropriate safeguards to prevent sale into the private sector.

Following feedback received from a number of stakeholders and departmental representatives within Welsh Government regarding the challenges of budgetary pressures, inconsistencies in approach in terms of asset transfers, expectation of increased numbers of community asset transfers, expectations of community groups, together with capacity and capability concerns, a best practice toolkit is being developed, in conjunction with partners from across the wider public and third sector. The toolkit will help community bodies to demonstrate the viability for the proposed use of the property, and develop capacity and capability in managing the asset following transfer.

Community asset transfers are not intended as a route to surplus asset disposal but should be seen as an opportunity to help a neighbourhood develop a thriving and resilient community and sustain long-term use of property, assets and services. The toolkit will be an important instrument to help realise this ambition. It is expected that the document will be published in March 2015. Details of surplus public sector assets will also be made available through the *SpaceCymru* portal on the *AssetsCymru* website.

## 5.5 Community Ownership

It is not only land or buildings owned by the Local Authority that can contribute to the well-being of a community. Communities may wish to have a greater say over the future use of property in private ownership, such as a village pub or shop, or property owned by another public body. These facilities can often have a significant influence on community cohesion, local employment opportunities or the protection of Welsh language communities. This would mean communities having the right to 'first refusal' when these properties came up for sale, and a period during which the community body could raise the necessary funds to buy the property at an agreed market value. It would also give communities an accelerated procedure for bringing abandoned or neglected property back into productive use.

Rural communities in Scotland have had the ‘right to buy’ land and property for the last ten years through the Land Reform (Scotland) Act 2003. The Community Empowerment (Scotland) Bill, which is currently passing through the Scottish Parliament, includes provisions to extend this right to urban communities. According to data in the Scottish Register of Community Interests in Land (December 2014),<sup>75</sup> 175 applications had been received since the 2003 Act came into force, with another 34 registrations ongoing. Of these, the right to buy has been activated in 17 cases, that is, those which are in the process of purchasing and those that have purchased.

Whilst purchases under the right to buy are generally made at market value there have been instances where a nominal amount is paid. The Machrihanish Airbase Community Company bought the 1,025 acre former Machrihanish Airbase estate from the Ministry of Defence for £1 in May 2012. In addition to purchasing land, examples of purchases include a sporting estate (Assynt Foundation), forestry (Bute Community Land Company & Crossgates Community Woodland), Army/Air force bases (Comrie Development Trust & Machrihanish Airbase Community Company), a lighthouse (Covesea Lighthouse Community Company) and a church (Catrine Community Trust).

Sunart Community Company is purchasing a raw water intake and associated infrastructure on the edge of their community from Scottish Water. The infrastructure is no longer used as a water supply. The community proposes to adapt this to provide a micro-hydro generation facility, which once operational will be maintained on a regular basis.

We intend that communities in Wales should have similar rights giving them an opportunity to safeguard assets of community value. We wish to do this in a way which keeps bureaucracy to a minimum, which helps answer questions about access to funds as well as opportunities to buy, and which includes protections for private property owners. We will be consulting further on the detail of these proposals following discussions with representative organisations.

As part of the work being taken forward by the National Asset Working Group to develop community asset transfer guidance, we are exploring with Cabinet Office whether e-PIMS Lite, the Wales public sector land and property database, could be used as the register to record assets of community value in Wales.

## 5.6 Community Bodies

With rights come responsibilities. It is essential that the proposed community rights set out above are delivered in a manner which minimises risk or negative impact on the Local Authority, the wider public sector, other communities or local people. This is of particular relevance in respect of community ownership where the delivery of benefits to one community could have a detrimental effect on other communities. The public would require assurance that these rights could not be abused by special interest groups that did not genuinely represent the community’s interests.

Broadly speaking, we will define community bodies as voluntary sector organisations, co-operatives, mutuals, social enterprises and Community Councils. In the case of Community Councils, we are proposing that only competent Community Councils, in the meaning set out in the previous Chapter, would be eligible to exercise these rights.

<sup>75</sup> <http://rcil.ros.gov.uk/RCIL/default.asp?category=rcil&service=Home>

Any community body wishing to take on a more active role in delivering services would be required to meet certain standards with regards their organisation and membership, including having well-defined aims and purposes which relate to improving the economic, social or environmental well-being of the community. There would need to be appropriate standards of governance, financial management and transparency which would be defined in legislation. In order to ensure the body adequately represented the entire community, membership would have to be open, although the majority of members would need to be members of the community the body was representing, with these members having control of the body.

Any community group seeking to initiate asset transfer or purchase property of community value would be required to meet appropriate governance and financial standards, such as being registered as a company limited by guarantee with appropriate financial management arrangements. It is also envisaged that the body would be required to be of a certain size.

We expect that Elected Members of Local Authorities will have a role to play in facilitating the use of these entitlements through their role on Area Boards (see 4.5 above). For example, this could mean helping community bodies identify opportunities to exercise their rights, encouraging joint working between community bodies with common aims, and signposting community groups to support and advice.

### 5.7 We would like your views

The Consultation Survey asks questions on the following themes:

- Community participation
- Property transfer and community ownership



## 6. Corporate Governance and Improvement

We believe visionary and focused leadership is the most important factor for ensuring Local Authorities are able to provide sustainable outcomes for local areas. This leadership must be supported by a capable, adaptive and strategic corporate management team. In this Chapter we discuss how Local Authorities might be best supported to improve their leadership capacity and capability.

We propose the following changes:

- strengthening the role of Local Authority Audit Committees;
- repealing Part 1 of the Local Government (Wales) Measure 2009;
- introducing a system of annual self-assessment, complemented by biennial peer-review, to support Local Authorities to improve their corporate capability and capacity; and
- giving Welsh Ministers powers to commission independent reviews of Local Authority corporate capability and capacity, and dependent of the findings, to take action to support change and improvement.

We also ask for views on whether there are any elements of the Local Government (Wales) Measure 2009 that should be restated within the new arrangements, and whether they can be built on or strengthened.

### 6.1 Introduction

The public and the people who work for Local Authorities expect them to be well run. In the context of the immense pressures facing public services, their leaders must be capable of steering their organisations through some of the most profound changes since Local Government was established. This will require visionary leadership and sound corporate governance which is capable of innovating and taking managed risks to achieve the transformation necessary. Openness, transparency and challenge are at the heart of managing this change.

In recent cases where the Welsh Government has formally intervened in Local Authorities experiencing service failure, the diagnosis has always pointed to corporate failings and governance weaknesses. Often this has been due to leadership and management being unprepared for the pressures they are experiencing, sometimes compounded by an unhealthy culture which holds power for its own purposes, rather than to deliver services for the public. As we set out in 3.1 above, it has also resulted from a blurring of the roles of the political Executive and the senior management team. This must change.

There is no common, consistent and shared understanding of how administrative costs relate to service delivery across Local Government in Wales. Given the significant financial challenges we face, compiling and using good quality information on how we spend our money is essential, particularly in relation to workforce planning, developing better delivery and creating effective shared services. The Welsh Government has commissioned an independent review of

administrative costs across all Local Authorities in Wales. This review will identify and compile consistent data that will enable us to compare and contrast patterns of spending between Authorities, identify best organisational practices, and make recommendations to help focus their resources to front-line services. We anticipate publishing this research in the summer of 2015.

Removing cost from unnecessary bureaucracy and redirecting it to the frontline is essential. However, the Commission on Public Service Governance and Delivery found that in releasing efficiency savings, Authorities' corporate capacity has often been the casualty of cuts and this may have restricted some Authorities' ability to improve. It is essential Local Authorities retain resilient governance capability and strategic capacity. Local Authorities are large, complex organisations, spending hundreds of millions of pounds of public money. A capable, adaptive and strategic corporate apparatus is a prerequisite for managing change and improving services.

## 6.2 Corporate Governance

Corporate governance is about how well an organisation is running its business. As set out in 2.6 above, the Well-being of Future Generations (Wales) Bill establishes five ways of working, which provide the context within which all public bodies should operate their approach to corporate governance.

As a minimum, effective corporate governance must focus on:

- how the organisation identifies and manages the risks it faces;
- whether there are appropriate internal controls in place, for example, in relation to corporate and workforce planning, performance management, grants management, procurement, major programmes and project management, fraud and corruption, and business continuity;
- whether the Authority is able to demonstrate compliance with equalities, Welsh language and other statutory duties and legislative requirements; and
- whether there are finance systems and procedures in place to manage and monitor budgets, and to promote economy, efficiency and effectiveness in the use of resources.

We set out in 3.13 above our proposal to make it a statutory obligation of the Chief Executive to make arrangements for securing systematic improvement in their Authority through a number of specific duties. The processes outlined above enable the Chief Executive to give assurance to the Executive and the public that the Local Authority is well run and the public's taxes are well spent. In addition, in order to ensure a Local Authority operates within the law, it is the duty of the Monitoring Officer to report to Elected Members if any decision of the Authority is likely to be illegal. Monitoring Officers, therefore, play an important role in reminding Members and officers that they must act within the law and with honesty, integrity and propriety.

Local Authorities are required under the Local Government (Wales) Measure 2011 to establish an Audit Committee. Effective challenge by the Audit Committee is a key part of the corporate governance assurance process. Strengthening the role of internal audit procedures and of the Audit Committee will be essential if Local Authorities are to be less reliant on external assurance. External audit will continue to play a crucial role in determining whether internal controls are adequate.

On the basis of these corporate governance processes, the senior management is able to determine what the priority matters for improvement are. If corporate governance does not operate effectively, the risk of financial deficit and service failure rises, fraud and corruption become more probable, and the public is more likely to come to harm.

### 6.3 The Local Government (Wales) Measure 2009

Welsh Government has been working to develop support for improvement in Local Government for over a decade. Most recently, the Local Government (Wales) Measure 2009 placed a duty on Local Authorities to make arrangements to secure continuous improvement by setting improvement objectives and publishing their plans for achieving this improvement for each financial year.

The 2009 Measure aimed to establish a broad definition of improvement that includes action Authorities would undertake to improve strategic effectiveness (i.e. delivering the Authority's community strategy), service quality, service availability, fairness (i.e. equality and social inclusion), sustainability, and efficiency and innovation. The Local Government (Wales) Measure 2009 gives Authorities broad powers which allow them to collaborate with others in order to achieve these objectives. The intention was to bring greater focus to delivery and align performance more closely with community strategies. The requirement to publish information is intended to enable the public and other stakeholders, including Welsh Government, to have better access to improvement data. The Wales Audit Office, in conjunction with other external review bodies, publishes an annual assessment of whether an Authority has achieved its planned improvements and whether it has the capacity to improve further.

The Local Government (Wales) Measure 2009 gives the Welsh Ministers powers to offer support to failing Local Authorities and to intervene where necessary. It also places responsibility on the Auditor General for Wales to coordinate more effectively the work of auditors and inspectorates with Authorities.

To assist Local Authorities in achieving the improvement objectives they have identified, the Welsh Government has concluded an Outcome Agreement with each Authority. Outcome Agreements are linked to a grant, which will be paid in full or in part to an Authority, according to the extent to which the Authority has achieved the outcomes in its Agreement.

Evaluation of the impact of Outcome Agreements – and by extension Part 1 of the Local Government (Wales) Measure 2009 – found that they have generally been effective in achieving better corporate focus on improvement and outcomes, although it was difficult to assess whether they had led to performance improvements.<sup>76</sup> The *Learning to Improve*<sup>77</sup> report found improvement plans have fallen short in supporting the public to hold their Councils to account, and are not sufficiently used by local Scrutiny Committees. *Learning to Improve* also raises questions about the consistency, objectivity and usefulness of the Welsh Audit Office's annual improvement assessments in supporting Local Authorities to improve. The annual assessments focus on making improvement 'auditable' has led to too much reliance on external assessment rather than local accountability. This does not always provide either the Local Authorities, Welsh Ministers or the public with the assurance they are seeking. As *Learning to Improve* states

76 Do Outcome Based Approaches to Service Delivery Work? Local Authority Outcome Agreements in Wales, Dr Jennifer Law, University of South Wales, 2013, <http://caspp.southwales.ac.uk/publications/>

77 Learning to Improve, Welsh Government, 2013, <http://wales.gov.uk/statistics-and-research/7945310/?lang=en>

(Part 2, p.80), "there have been a number of examples of councils – in Wales and other parts of the UK – whose management processes have been judged to be satisfactory by inspectors and auditors but where serious problems with performance have subsequently come to light".

The Welsh Government believes a more risk-based approach to improvement and innovation would permit Local Authorities to respond more quickly and effectively to the challenges they face and return accountability for improvement to the local leadership. We therefore intend to repeal the provisions in Part 1 of the Local Government (Wales) Measure 2009, put specific improvement duties on the Chief Executive and strengthen Local Authorities' internal accountability processes. We are seeking views on whether any aspects of Part 1 of the Local Government (Wales) Measure 2009 should be restated in new legislation.

National Parks Authorities and Fire and Rescue Authorities currently fall within the scope of the 2009 Measure. It is not our intention for the reforms set out in this White Paper to apply to these Authorities. We will consult separately on proposals for reform of these Authorities.

#### 6.4 Managing Improvement

Repeal of Part 1 of the Local Government (Wales) Measure 2009 would require the strengthening of Local Authorities' corporate governance arrangements, including the role of the Audit Committee. We therefore propose to amend the Local Government (Wales) Measure 2011 to clarify the responsibilities and remit of Audit Committees, rename them Corporate Governance and Audit Committees, and expand their independent membership, including requiring that they be chaired by a suitably appointed independent person. The Audit Committee will be a powerful force to assist Chief Executives of Local Authorities to discharge their new statutory improvement functions, set out in 3.13 and below, in order to provide the Executive with assurance that the Authority is well run and has the systems and procedures in place to secure continuing improvement.

We are proposing that in order to discharge their improvement functions, the Chief Executive should be required to undertake an annual self-assessment of the Authority's corporate governance and service performance, and to provide a report to the Leader on matters of concern. The report should include how the Chief Executive has taken action in response to reports of the Audit Committee, self-assessment and peer review, and is to be published. We are also proposing the Chief Executive should in addition make arrangements every two years for a peer review to be undertaken, in order to provide external challenge to the self-assessment process.

These proposals would implement our policy objective of ensuring Local Authorities are accountable to Elected Members and the public for their performance and improvement, based on sound corporate governance and independent challenge. The proposals also clarify the distinction in roles between the Executive and the senior management of the Authority.

We suggest the new approach might be framed around the following principles:

- Rapid and responsive: providing timely and relevant evidence to management and members.
- Risk based: focused on where there are problems or weaknesses.
- Trusted and respected: commanding the confidence of those who are subject to the arrangements and those who use the data.

- Open and transparent: outcomes from the work must be frank, honest, clear and in plain language.
- Consistent and mutually reinforcing: avoiding duplication and nugatory work.

As discussed in Chapter 2, we would expect the values set out in each Local Authority's constitution to reflect its approach to transparent corporate governance and how it engages with Elected Members and the public on these issues.

We believe such a system can be developed and that all partners will be committed to working constructively to design it. Whilst the Welsh Government will set out in legislation a requirement for Local Authorities to undertake self-assessment and peer review, we propose the specifics of the new arrangements would be set out in regulations and/or statutory guidance rather than in primary legislation. This will enable us to develop arrangements in partnership with stakeholders to ensure they are fit for purpose and capable of changing over time as conditions change.

### 6.5 Self-assessment and Peer Review

An approach based on annual self-assessment and biennial peer review will allow Authorities the freedom to determine the best arrangements to secure improvement in the way they conduct their business, suited to their own circumstances. There will continue to be a role for the Wales Audit Office to provide critical independent assessment, for the social services and education Inspectorates to assess service performance and, where absolutely necessary, swift intervention from Welsh Government in the event of failure which has not been addressed by the Authority.

Peer review involves giving suitably qualified and experienced professionals full and open access to an Authority's staff and systems to identify areas for improvement. Peer reviews are already established in Local Health Boards and are embedded in the new three-year budgeting and planning regime.<sup>78</sup> Many Authorities in England and Wales have already conducted peer reviews and these have proved to be honest and informative. For example, see the reviews of Blaenau Gwent, Powys, Cardiff and Carmarthenshire.<sup>79</sup> The reviews are typically 'short and sharp' lasting no more than a week. The reviewers are normally Executive Members and senior officers from other Local Authorities (including from outside Wales), retired Members and officers, and professionals with expertise in particular areas, such as the law, ICT, HR and finance. Reviews should also include suitably qualified individuals from the private and third sector. Trust, credibility and transparency are critical elements which make peer review effective.

The Local Government Association has produced a number of guides, case studies and an evaluation<sup>80</sup> as to the effectiveness of peer review, or 'peer challenge' as it is also known. The findings of this evaluation show that peer review can bring about positive impact in five key areas: greater self-awareness, improved external reputation, behaviour change, organisational change, and service transformation.

<sup>78</sup> <http://www.hiw.org.uk/the-peer-review-programme>

<sup>79</sup> <http://www.wlga.gov.uk/previous-peer-reviews/>

<sup>80</sup> Corporate peer challenge adding value (2013) and Supporting Councils to succeed: Independent evaluation of the LGA's corporate peer challenge programme (2014), Local Government Association <http://www.local.gov.uk/peer-challenge>

A peer review of an Authority is a 'reality check' and an essential part of encouraging organisations to be more ambitious. A formal and regular programme of peer review would also help to develop a wider culture of sharing and learning.

Self-assessment and peer reviews might include the following aspects:

- strategic vision for the Authority;
- corporate planning, including financial management;
- governance arrangements;
- quality and timeliness of management and service information;
- leadership, recruitment, talent development and retention;
- equality and diversity, and Welsh language standards;
- efficiency;
- procurement and the value delivered to local communities through third party expenditure;
- engagement with the public, workforce and partners;
- responding to demographic, financial and demand pressures;
- service innovation; and
- effective working arrangements and collaboration with other Public Services.

We believe this approach will enable rapid and responsive assessment of an Authority's capability as well as being highly flexible to local circumstances. Peer reviews should be open and transparent. We would require the results of these reviews and the Local Authority's response to them to be published as a matter of routine and considered by the Audit Committee, and by the full Council.

## 6.6 Powers to Intervene

With greater emphasis on local accountability, it is appropriate to consider whether existing arrangements for intervention by the Welsh Ministers remain appropriate. In certain circumstances, the Welsh Government will continue to have a role in intervening as a last resort. The Welsh Ministers have powers to intervene where there are failings within specified service areas, such as social services or education. Given the risk of harm to vulnerable individuals where these services fail, the public will continue to expect the Welsh Government to take action when required. Therefore, we do not propose to change these powers.

We also need to consider the Welsh Ministers' powers to intervene in Local Authorities where they are considered to be failing at a corporate level. The Local Government (Wales) Measure 2009 makes provision for the Welsh Ministers to intervene on the basis of advice received from the Auditor General for Wales. Where this has happened over recent years, there is good evidence from the reports of the Wales Audit Office and the Inspectorates that problems were entrenched and often known about for some time, but local leadership had not taken action or sought support from the Welsh Ministers at an early stage.

We believe the proposals in Chapters 6 and 7 to strengthen corporate governance and performance management will reduce the risk of this happening in future. Nevertheless, where there is evidence that performance is falling short of the mark for a sustained period, the public

would expect the Welsh Ministers to intervene and provide support to the Authority to improve. If the Local Government (Wales) Measure 2009 is repealed, as we intend, we believe there is a need to legislate to ensure the Welsh Ministers continue to have powers to intervene in the event of corporate or service failure.

We propose the Welsh Ministers should have the power to commission an independent review of the corporate governance of a Local Authority. An independent review might be triggered when the Authority's performance is lagging significantly, or for a sustained period, behind its peers in key areas; where there are concerns raised by the Authority itself or its Members; where concerns are raised through whistleblowing; where information and intelligence provided by auditors and inspectorates identifies concerns; or there is significant public concern about an issue.

Depending on the evidence and advice put forward as a result of an independent review, the Welsh Ministers would need to consider whether additional support or formal intervention is necessary. We envisage a differentiated approach, for example, directing the Local Authority to take action, mandating peer led support, or stepping in directly to provide support, for example through the use of commissioners.

In addition, we propose to consider the current Local Government and Support and Intervention Protocol<sup>81</sup> in light of the changes proposed in this White Paper to ensure it remains fit for purpose.

## 6.7 We would like your views

The Consultation Survey asks questions on the following themes:

- The Local Government (Wales) Measure 2009
- Strengthening the role of Corporate Governance and Audit Committees
- Self-assessment and peer review
- Ministerial intervention

## 7. Performance in Local Government

In this Chapter we discuss the management and improvement of service delivery in Local Authorities. Key to this is effective corporate planning to inform decisions and policy development. We consider the importance of management information and data in service planning, performance management and assessment by Scrutiny Committees, the public, external review bodies and other stakeholders.

We propose the following changes:

- a statutory requirement for all Local Authorities to produce and publish a corporate plan which covers the short, medium and long term. This will be complemented by a requirement for the Local Authority to produce an Annual Report setting out their performance over the preceding year. The corporate plan and Annual Report will incorporate the Authority's well-being objectives, as intended by the Well-being of Future Generations (Wales) Bill;
- the creation of a single online information portal where comparable information will be published regarding the performance of all Local Authorities, as well as other key documents such as the corporate plan, self-assessment, peer review and inspection reports; and
- a statutory requirement for all Local Authorities to have an online (and offline) complaints process. We will require Local Authorities to publish information on complaints, including how complaints have been considered and action taken.

### 7.1 Introduction

People expect and deserve excellent public services in their Local Authority area. Expectations are changing. The public expects services to be responsive, personalised and increasingly delivered or accessed through digital channels. Previous chapters explain our vision for community-centred Local Authorities which are a distinct, democratically accountable part of the governance of Wales. Authorities are directly accountable for the performance and improvement of the services provided by them to their local communities.

The Welsh Government sets the policy and legal frameworks within which Local Authorities operate. It is the Welsh Government's role to set out national expectations and to articulate the standards which local people can expect Authorities to meet. While ensuring that minimum standards are delivered across Wales, Local Government's role is to ensure services are appropriate to the communities that they live in, and should increasingly be focused on prevention and early intervention. One size does not fit all and Local Authorities have a responsibility to ensure they are considering what is most appropriate for all the different communities that they serve. Providing the right services, however, depends on effective corporate planning based on robust evidence, a performance management framework based on timely management information and procedures for benchmarking performance against the best. It also requires Local Authorities to work in collaboration with public sector partners.



Where Local Authorities can bring forward a sound business case for service transformation which requires additional revenue at the outset in order to generate future savings, the Welsh Government can assist through our Invest-to-Save fund.

The Commission for Public Service Governance and Delivery identified performance management arrangements in public services in Wales, including in Local Government, as an area of concern. The Commission drew attention to the complexity of performance management information, the multiplicity of indicators and fragmentary performance management systems. Without a foundation of effective performance management, it is difficult for an Authority to identify current performance levels, let alone develop a plan to improve or sustain services. Poor information on performance weakens governance, prevents managers from making the right decisions, frustrates improvement and hinders scrutiny. We agree with the Commission's analysis. This Chapter focuses on the arrangements which are needed to ensure Local Authorities are delivering good and improving services.

## 7.2 Corporate Planning

For Authorities to perform at their best, they must understand the aims, objectives and goals to which they are working and use them to shape their corporate planning. These goals will be determined by local priorities as well as national policy direction set by the Welsh Government.

It is the intention of the Well-being of Future Generations (Wales) Bill that the National Assembly for Wales will, for the first time, set out long-term well-being goals for Wales. There will be national indicators to measure progress towards the achievement of the well-being goals. Local Authorities and other public services would align their objectives to the achievement of the national well-being goals. This would mean a much improved focus on what Local Authorities are seeking to achieve in order to improve the economic, social and environmental well-being of Wales, for current and future generations.

Our proposals for a new performance framework will start with those national goals and indicators. The local well-being plan, required by the Well-being of Future Generations (Wales) Bill, will set out the collective public service plan for an area, developed by the Public Services Board in conjunction with the people and communities who live there. Based on evidence, the well-being plan will identify the outcomes which are the priorities of all public services for achieving the long term well-being in their area. These will include the Local Authority's priorities for action in planning its service provision needs.

The Leader's manifesto (3.3 above) will set out the Local Authority Executive's political priorities and in 3.13 we set out our proposal that Chief Executives of Local Authorities must produce a corporate plan to put these actions into effect. The corporate plan is a tool of management at present and we intend that to continue but the Council should no longer approve the plan. This is meant to clarify the functions of Elected Members of the Council (Executive and non-executive) and the administrative management of the Authority respectively. It will increase the responsibility on the Executive and Scrutiny Committees to hold the Chief Executive to account for delivering the Council's priorities. The Council must approve the budget and its committees and the Executive will be required to scrutinise the senior management team on delivery of their objectives through the corporate plan. Many are already doing this, of course, but we believe it is time to make it a statutory requirement.

Local Authorities are highly complex organisations. Each year, they spend many billions of pounds of public money, delivering hundreds of services to millions of people. We should expect

them to be run with high standards of financial rigour, careful consideration of the current and future needs of their people and communities, and focused on continuing performance improvement. It is important that the range of services is managed coherently so as to make the maximum use of skills, resources and experience.

The corporate plan will set out how the Authority intends to address the Executive's priorities in the short, medium and long term. It will set out what the Local Authority plans to achieve, how they will achieve it and what funding will be required to deliver this. It will bring together the Authority's arrangements for strategic planning, financial planning and workforce planning. This public document will support the Authority in engaging with the public about strategic issues which affect the whole Local Authority area, as well as issues which affect specific communities and or particular services.

We will work with Local Authorities and other stakeholders to develop guidance to help Local Authorities prepare their corporate plan. We will expect the corporate plan to explain throughout how duties in respect of the Welsh language and equalities will be delivered. As a minimum we envisage the corporate plan would include:

- strategic population outcomes for the area, as agreed in the local Well-being Plan;
- corporate priorities for service delivery and improvement, including Welsh language standards, and the steps to achieve the objectives in the local well-being plan;
- financial management plans, including medium-term financial planning, corporate procurement strategies and asset management plans;
- workforce plans, including the strategic equalities plan;
- the risk register;
- existing service performance and benchmarking data;
- public engagement and involvement strategy, including in relation to setting of annual budgets and council tax;
- planned performance levels for the short, medium and long term; and
- an Annual Report setting out achievements and performance outcomes of the previous year, which could also be used discharge the Local Authority's proposed duty under the Well-being of Future Generations (Wales) Bill to report on how they have delivered their objectives in a manner consistent with the sustainable development principles.

The Auditor General for Wales is the statutory external auditor for Local Authorities in Wales. This means that he audits their accounts and his role includes examining how public bodies manage and spend public money and how they achieve value in the delivery of public services. In addition, it is proposed there will be a new duty on the Auditor General under the Well-being of Future Generations (Wales) Bill that requires him to examine and report on the application of the sustainable development principles in both the setting and the achieving of objectives by Local Authorities. This means looking at the arrangements they have in place to ensure they take account of the long term, the need for an integrated approach, working with others, involving people, and taking preventative action in both setting and taking steps to meet their well-being objectives.

The Auditor General would therefore be able to consider issues such as whether the body can show that it has organised itself to have robust mechanisms and procedures in place and

whether these are actually being used, that is, are the sustainable development principles being applied when the body is making key decisions about setting well-being objectives and also when taking steps to achieve them.

The statutory corporate plan we are proposing for Local Authorities could be an essential source of evidence for the Auditor General both in his routine auditing of Local Authorities and in his examination of the application of the sustainable development principles. It will also be vital for Scrutiny Committees to challenge the Executive effectively, and to provide the public with the information they need to understand how public funding is being spent.

### 7.3 Comparing services through objective real-time data

Timely and accurate management information and the ability to analyse this information effectively will be essential to support the development of the corporate plan and to underpin self-assessment and peer review.

Effective use of good quality and timely information is critical to delivering better service outcomes and achieving improvement. There are two main elements of information that we wish to consider:

- the data required so the performance of Authorities can be compared, such as national performance tables and comparative statistics, enabling the Authority to be held to account by elected representatives and the public; and
- the information about an Authority which would be used by its management and the scrutiny process to maximise capability and delivery.

The Commission on Public Service Governance and Delivery argued the current plethora of performance management frameworks imposed by the Welsh Government are too complex, bureaucratic, costly and insufficiently focused on outcomes for people.

In *Improving public services for people in Wales*,<sup>82</sup> we committed to strengthening performance management across public services through developing a common approach for performance measurement. This would focus on outcomes, as well as rationalising and aligning the many sets of performance measures. The Government accepts the challenge and will develop a new approach to performance data across the range of its activities, starting from the premise that we must collect fewer, more meaningful measures.

The right information used by managers to support the improvement of services is critical. When published it can be a powerful motivation for improvement. The Welsh Government accepted this sometime ago and created the web-based 'mylocalschool'<sup>83</sup> information source which provides detailed data on individual schools. More recently, the Welsh Local Government Association has launched the 'mylocalcouncil'<sup>84</sup> website and the Local Government Association in England has also developed 'LG Inform.'<sup>85</sup> While these websites provide information on Local Authority services, they give no meaningful context to help the public or Elected Members interpret variations. The challenge now is to encourage the widespread use of data and analysis.

82 *Improving public services for people in Wales*, Welsh Government, 2014  
<http://wales.gov.uk/topics/improvingservices/devolution-democracy-delivery/?lang=en>

83 <http://mylocalschool.wales.gov.uk/>

84 <http://www.mylocalcouncil.info/>

85 <http://lginform.local.gov.uk/>

Driving up public service performance requires the pull of public demand as much as the push of Government expectation.

We believe the use of digital technology should be expanded across all public services to ensure all those with an interest have access to data for their communities, for their Local Authority and for Wales as a whole. Therefore we propose establishing a single, accessible portal to provide regular, timely, and comparable information to challenge variations in performance. We propose including data for the UK to ensure our services are compared against the very best. Contextual information which can help to interpret raw data should also be made available on this portal. This could include reports by the Wales Audit Office and the Inspectorates, self-assessment and peer review reports, the corporate plan and complaints information. We would require Local Authorities to publish this information, using agreed definitions, by a set date.

We aim to work with public sector organisations, regulators, auditors and inspectorates to produce:

- a more strategic approach to performance management across the whole public sector;
- outcome indicators and performance measures to support public service leaders in their decision-making;
- better value for money from collecting performance information; and
- more transparent reporting of information which will have a greater impact.

We will consult on how they are designed and developed in due course.

In the future, corporate plans will include a standardised set of performance outcomes and measures. We have also received evidence during our recent consultation that the inclusion of minimum standards<sup>86</sup> would drive performance and this is something we will consider as part of our new performance management framework. In setting minimum standards of performance, it may be appropriate to consider the use of financial penalties for non-compliance. We are seeking views on the use of minimum standards and financial penalties.

#### 7.4 Procurement supporting sustainable provision of services

Collectively, Local Government is responsible for almost two-thirds of total annual public procurement expenditure in Wales. It is essential the public have confidence their taxes are being well spent. Governance of procurement is managed through a non-statutory Procurement Board and locally procurement capability is assured through Procurement Fitness Tests. The Procurement Board oversees the procurement improvement plan across Wales and also receives reports on the performance of individual Local Authorities. In order to develop better understanding of procurement outcomes and to support collaboration across Wales, we will work with Local Government to agree a common structure for classification of procurement expenditure.

#### 7.5 Digital Councils

We have seen examples of ways in which digital technology is being used to engage with the public, enhance transparency and improve services, and so improve performance in a number

<sup>86</sup> See for example the WLGA response to the Reforming Local Government White Paper <http://wales.gov.uk/consultations/localgovernment/white-paper-reforming-local-government/?status=closed&lang=en>

of areas of public service delivery, including education and social services. Local Authorities have the opportunity to become digital pioneers, creating bespoke services which can be adapted by other public service users. However, while there are certainly examples of good digital practice among Welsh Local Authorities, we are not yet witnessing the wholesale transformation of both the corporate model, public engagement and service delivery through the use of digital technology which is evident in other sectors. We question whether most Local Authorities fully understand the kind of cultural change required to achieve the greatest impact.

It is not an issue of better network management, the corporate needs of the Authority, or infrastructure issues, although we expect Local Authorities to make use of the new Public Service Broadband Aggregation contract. The focus needs to be on ease of use and open access, not command and control. It is about the potential of digital technology to improve service delivery and the service experience of residents, communities and front-line staff through much greater ease of access. This includes the use of data collected by Local Authorities, which could be a rich source of information for future service configuration.

In the *Reforming Local Government White Paper* we set out our intention to legislate to require that all full Council and Executive meetings must be broadcast online, at the same time encouraging the broadcasting of committees. We now wish to go further to ensure the work of Councils is as fully accessible to the public as possible, having regard to restrictions around confidentiality of data and commercially sensitive information for example, so that they can engage more closely in decisions about matters that affect them. The broadcasting requirement will provide an accurate public record of Local Authority proceedings, therefore we believe it is for individual Authorities to decide whether the public may film or record any of their proceedings. We will enable Local Authorities to make provision for recording of proceedings through their standing orders. However, given the importance of social media in stimulating dialogue and engagement, we consider the public should have a right to report live from any Council proceedings through written or electronic media.

We also consider that the public should have a right to have their say on matters being discussed by the Council. We therefore intend to put a duty on Local Authorities to make arrangements to enable the public to make their views known on any open agenda items of the full Council, the Executive or any Committees of a Local Authority, and for those views to be taken into account. This will require that existing requirements to publish agendas and meeting papers in advance must be closely adhered to.

## 7.6 Complaints

All feedback, including complaints, offers valuable information which can lead to improvements, but there has to be the right organisational ethos to enable this to happen. Complaints, often a mechanism through which people interact with their Local Authority, should be reported on, where appropriate, in an accessible, open and transparent way. Analysis and understanding of complaints is essential for informing service improvement and for improving governance arrangements. It is therefore important complaints and concerns are considered, even if it is not possible or appropriate to fully address them.

A recent review of complaints handling in the NHS<sup>87</sup> raises a number of issues that apply in the Local Government setting. Those who need to complain must have confidence in the complaints process and where the issues raised are serious, it is particularly important that the process is timely and independent. The review also highlights that it should not be painful or difficult to complain and when it is necessary to make a complaint, the onus should not be on the individual complaining to follow up progress.

The Older People's Commissioner produced a scoping study<sup>88</sup> of complaints procedures in 2010 which highlights the importance of complaints in improving services, and issues faced by older people in particular. The report raised issues with regards to individuals tracking their complaint, but also the need for greater transparency in the way that organisations publish information in a comparable way.

We intend to require all Local Authorities to establish a streamlined online complaints process. The use of digital technology can facilitate the processing and tracking of complaints, provide an auditable trail and enable the Authority to build up a comprehensive picture of issues with service delivery, governance and the views of the public. We propose to require the Local Authority to provide a regular report on complaints to the Authority's Audit Committee. This report will include information about the Authority's approach to complaints handling and how they are used to improve services, as well as data such as number and categories of complaints raised and resolved.

### 7.7 We would like your views

The Consultation Survey asks questions on the following themes:

- Corporate planning
- Single information portal
- Minimum performance outcomes and financial penalties
- Complaints

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87 A Review of the NHS Hospitals Complaints System Putting Patients Back in the Picture, Ann Clwyd MP and Professor Tricia Hart, October 2013 <https://www.gov.uk/government/publications/nhs-hospitals-complaints-system-review>

88 A Scoping Study of Complaints, Susan Lambert for the Older People's Commissioner for Wales, 2010 [http://www.olderpeoplewales.com/en/news/news/07-28//A\\_Scoping\\_Study\\_of\\_Complaints\\_for\\_the\\_Older\\_People\\_s\\_Commissioner\\_for\\_Wales.aspx](http://www.olderpeoplewales.com/en/news/news/07-28//A_Scoping_Study_of_Complaints_for_the_Older_People_s_Commissioner_for_Wales.aspx)

## 8. Strengthening the Role of Review

This Chapter discusses the role of scrutiny by Elected Members (internal review) and audit, inspection and regulation bodies (external review) in supporting Local Authorities to deliver better outcomes for local areas. We do not believe internal and external review processes work together well enough. We discuss how we will strengthen internal review to ensure it has more impact on Local Authority decision-making. We also discuss the benefits of sharing information between the different external review bodies and with internal review.

We propose the following changes:

- requiring Local Authorities to set out, regularly, the ‘key decisions’ they will be considering so as to enable internal review to be planned more effectively;
- strengthening Scrutiny Committees’ forward planning by requiring them to make reference to ‘key decisions’ and corporate plans, as well as setting out what they intend to scrutinise and who they will engage with in doing so;
- requiring external review bodies to share information with each other and with local Scrutiny Committees;
- requiring external review bodies to co-ordinate their work in respect of Local Authorities and produce a combined assessment of each Local Authority every two years; and
- requiring external review bodies to produce a joint annual assessment of the state of Local Government in Wales.

We also ask for views on whether we should take further steps to protect the independence of the Democratic Services functions and the support they provide for Elected Members’ scrutiny responsibilities.

### 8.1 Introduction

The Commission for Public Service Governance and Delivery considered scrutiny to play a key role in democratic accountability. According to the Centre for Public Scrutiny:

*“Public scrutiny is an essential part of ensuring that government remains effective and accountable. Public scrutiny can be defined as the activity by one elected or appointed organisation... examining and monitoring all or part of the activity of a public sector body with the aim of improving the quality of public services.”*<sup>89</sup>

However, the Commission found weaknesses both in the exercise of scrutiny functions and the status and resources it is afforded by Local Authorities. The Commission also noted the lack of integration of audit, inspection and regulation bodies and internal scrutiny by Elected

<sup>89</sup> <http://www.cfps.org.uk/>

Members. We agree that internal and external review is critical to securing corporate and service improvement through holding to account and challenge and that in order to be more effective internal and external review should work more effectively together to support improvement.

Performance and improvement is first and foremost the responsibility of the Local Authorities concerned and better leadership is needed in this area to reduce significantly the incidence of adverse audit and inspection reports and Welsh Government interventions as a result of poor performance. Audit and inspection have too often been the first line of defence against poor performance, rather than the last. The Welsh Government's role is to set the overall regulatory framework. Local Government should pursue and exceed the minimum standards and requirements, with local Scrutiny Committees holding Authorities to account. The audit and inspection bodies are there to provide independent assurance that internal controls are working effectively and to challenge under-performance. In addition to this regulatory function, they also have a crucial role in sharing good practice on improvement.

Good leaders, whether political or operational, embrace challenge from internal and external scrutiny. Challenge is not about defending the current position but listening to different perspectives and seeking out alternative options in order to make services better, whether that is more relevant, more efficient or more effective. While the cost of scrutiny, audit and inspection should be proportionate, it must not be considered a bureaucratic cost, it is the investment we make in improvement. Review, whether carried out internally by Elected Members, or externally by audit and inspection bodies, must be well informed, drawing on information, intelligence and data from a wide range of sources. Reporting should be timely, objective, evidence based and placed in the public domain.

## 8.2 Internal Review – Scrutiny by Elected Members

Internal review by Elected Members, or scrutiny, contributes to decision-making processes that are clear and accessible to the public, holding to public account those making decisions.

Scrutiny Committees are appointed by the full Council to examine the work of the Executive and other functions of the Authority, such as planning and regulatory functions. Their role is to support the Authority to maintain high service delivery standards, and to steer them towards improved efficiency and effectiveness, and better outcomes for local communities. Good scrutiny involves service users and the public and ensures they have opportunities to influence and improve the services they receive. The Local Government Act 2000 requires Local Authorities to have one or more Overview and Scrutiny Committees.

Overview and Scrutiny Committees can:

- review or scrutinise decisions made by the Local Authority in the exercise of functions (whether they are functions which are the responsibility of the Executive or not);
- make reports or recommendations accordingly; and
- make recommendations on matters which affect the area or its inhabitants.



Internal review by Elected Members can be divided into four broad categories:

*Horizon-scanning scrutiny:* looks at future social, economic, political and other changes which are likely to have an impact on Local Government, in order to help Authorities adapt to them accordingly. For example, this might mean examining the likely impact of changes to the welfare system, or the impact of an ageing population, or of major advances in digital technology.

*Thematic scrutiny:* examines a specific topic or area that has been highlighted as a matter of concern, such as systemic child abuse or modern slavery. In this way, scrutiny can help the Authority develop its policies and respond more effectively to local needs.

*Pre-decision scrutiny:* examines an Authority's proposals, objectives and draft programmes in order to inform their development before they are implemented. In this way, scrutiny can help the Authority to achieve optimum impact by avoiding mistakes and grasping opportunities in its policy-making and service delivery.

*Post-decision scrutiny:* examines the implementation of Authority policy and performance in terms of service delivery. It enables the Authority to review the effects of its decision-making, learn lessons, helping it to recognise any unforeseen consequences and assisting it to revise its policy and practice accordingly.

Scrutiny annual reports describe the work and outputs of Scrutiny Committee reviews, and give an early indication of future areas of planned review. They are formally reported to full Council.

### 8.3 Effective Internal Review

The Centre for Public Scrutiny has been undertaking work on the financial 'return on investment' as well as the 'social return on investment' of Scrutiny Committees.<sup>90</sup> The Centre has developed a model for establishing the return on investment of scrutiny. Their research shows that the impact of scrutiny can be measured and can offer a significant business benefit when done well.

In order to deliver on this, effective internal review must be appropriately resourced. Those supporting internal review should be highly skilled at analysis and interpreting information, and be aware of innovation from across the sector. Those scrutinising must provide constructive challenge to the Executive and senior management, ensuring they are aspirational in their goals, innovative in their approach, and proportionate in managing risk.

<sup>90</sup> Tipping the Scales, Centre for Public Scrutiny, 2012 <http://www.cfps.org.uk/publications?item=7137&offset=25>; Measuring what matters, Centre for Public Scrutiny <http://www.cfps.org.uk/publications?item=106&offset=0>; Valuing Inclusion, Centre for Public Scrutiny, 2012 <http://www.cfps.org.uk/publications?item=7303&offset=0>

A number of areas for improvement have been identified in current arrangements<sup>91</sup> such as:

- improving the information available to undertake internal review;
- improving the planning process for internal review;
- ensuring that the impact of internal review is appropriately evidenced;
- recognising the importance, status and value of internal review;
- resourcing internal review appropriately;
- ensuring the process of internal review effectively engages with communities; and
- recognising that internal review is an essential part of the system for securing service improvement.

#### 8.4 Strengthening Internal Review by Elected Members

We believe the relationship between the Executive and Scrutiny Committees is crucial. To be most effective it needs to be an open and engaged relationship. And, for internal review to be a critical part of improvement arrangements, Scrutiny Committees must be independent and have effective powers at their disposal.

In the *Reforming Local Government White Paper* we asked for views about how we could strengthen scrutiny to support service improvements. We have set out below a number of proposals for consideration which we believe will achieve this.

##### 8.4.1 Ensuring Local Authorities resource local review

In 2009, the Councillors Commission Expert Panel for Wales published its report *Are We Being Served*.<sup>92</sup> Several of the issues they examined related to the experience of Councillors since the introduction of Executive structures which make the majority of decisions. Their recommendations included giving consideration to introducing a legal separation of the Executive and Non-executive functions of the Council, with separate funding streams, which would protect the independent and unbiased provision of support for Elected Members' scrutiny responsibilities.

The Welsh Government set out proposals to strengthen scrutiny and community leadership in *A Shared Responsibility*.<sup>93</sup> Subsequently the Welsh Government legislated to strengthen the role and independence of scrutiny in the Local Government (Wales) Measure 2011 and made provision for the delegation of functions to Elected Members in relation to their

91 Good Scrutiny? Good Question!, Wales Audit Office, 2014 <http://www.wao.gov.uk/publication/good-scrutiny-good-question-auditor-general-wales-improvement-study-scrutiny-local>; Final Report, Commission on Public Service Governance and Delivery, 2014 <http://wales.gov.uk/topics/improvingservices/public-service-governance-and-delivery/report/?lang=en>; Annual Survey of Overview and Scrutiny in Local Government - 2013-14, Centre for Public Scrutiny, 2014 <http://www.cfps.org.uk/publications?item=11650&offset=0>; Joining Up the Dots: Overview and Scrutiny in Local Government Since 2003, Centre for Public Scrutiny, 2012 <http://www.cfps.org.uk/publications?item=7042&offset=50>; Explanatory Memorandum Local Government (Wales) Measure 2011, National Assembly for Wales <http://wales.gov.uk/topics/localgovernment/publications/lgmeasure11/?lang=en>; Chief Inspector's Annual Report 2012-13, Care and Social Services Inspectorate Wales <http://cssiw.org.uk/our-reports/annual-reports/2012-2013/?skip=1&lang=en>; Annual Report 2012-13, Estyn <http://www.estyn.gov.uk/english/annual-report/annual-report-2012-2013/>

92 Are we being served? The Report of the Councillor Commission Expert Panel Wales, 2009 <http://www.wlga.gov.uk/publications-and-consultation-responses-imp/are-we-being-served-the-report-of-the-councillor-commission-expert-panel-wales>

93 A Shared Responsibility, Welsh Assembly Government, 2007 <http://wales.gov.uk/topics/localgovernment/publications/sharedresponsibility/?lang=en>

electoral division, and for Members to refer matters to a Scrutiny Committee. The Welsh Government also made provision in relation to Democratic Services. The Democratic Services regime attempts to strengthen the hand of the non-executive Member but in practice the effectiveness of this varies from Council to Council.

The Centre for Public Scrutiny has also recently highlighted concerns about decreasing resources to support scrutiny. Overview and Scrutiny Committees have had their resources reduced by 20% in real terms over the last five years.<sup>94</sup> Given the importance of internal review in supporting service improvement, this needs to be addressed. Scrutiny must have appropriate and sufficient support, in the form of skilled officers and its own budget. To further support this we believe that there should be a requirement for the Head of Democratic Services to be a Chief Officer.

Following our recent review of the implementation of the Local Government (Wales) Measure 2011, we also intend to remove the requirement that the Monitoring Officer may not also be the Head of Democratic Services. The evidence we received suggested this prohibition is unnecessary and, indeed, that there is a great deal in common between the two roles.

We are also seeking views on whether we should take further steps to protect the independence of the Democratic Services functions and the support they provide for Elected Members' scrutiny responsibilities.

#### 8.4.2 Strengthening Pre-decision Scrutiny

Reviewing a decision before it is made is more effective than looking at a decision after it is made. Pre-decision scrutiny allows Scrutiny Committees the opportunity to challenge assumptions that may have been made in the lead-up to a decision or how decision-makers have considered the positive impact or any risks that might arise. The Committee will often bring a different perspective which can improve the robustness of decision-making. Many believe that pre-decision scrutiny allows greater influence over decision-making.<sup>95</sup> Currently, however, there is no statutory requirement for Local Authority Executives to inform Scrutiny Committees of their proposed decisions.

In England, the concept of a "key decision" is defined in regulations.<sup>96</sup> A key decision is defined as:

*"an executive decision, which is likely a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant [...] or b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions [...]"*

Individual Councils in England have adopted varying definitions for what a key decision is, but they all reflect these two broad requirements. Since 2012 councils in England have been obliged only to give 28 days notice of planned key decisions (and there is also some provision for a shorter timescale in the case of urgency). In practice, however, most have chosen to retain a formal Forward Plan which is published every month, which sets out planned key decisions for the subsequent four months.

94 Joining Up the Dots, Centre for Public Scrutiny, 2012 <http://www.cfps.org.uk/publications?item=7042&offset=50>

95 Report into How the Local Government Act 2000 is Working, The Transport, Local Government and the Regions Committee <http://www.publications.parliament.uk/pa/cm200102/cmselect/cmtlgr/602/60203.htm>

96 The Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012

Generally only “key decisions” made by the Authority are subject to call-in for consideration by a Scrutiny Committee. Key decisions will for the most part be decisions made by individual Cabinet Members (where a power for individual Cabinet Members to make decisions is delegated from the Cabinet) or by Cabinet as a whole.

In Wales, the concept of a “key decision” does not exist but could be introduced to support more effective use of planning for pre-decision scrutiny.<sup>97</sup> We are seeking views on how this might best be introduced in Wales.

### 8.4.3 Planning for Scrutiny

The Wales Audit Office report *Good Scrutiny? Good Question!*<sup>98</sup> highlights the importance of effective planning of scrutiny. The Centre for Public Scrutiny has already done work to support better planning arrangements, and there is evidence of some good annual scrutiny programme planning within Local Authorities.<sup>99</sup> The Local Government (Wales) Measure 2011 already requires Scrutiny Committees to publish forward plans of their scrutiny work programme and consult with electors, but we are seeking a step change that will increase the impact of scrutiny by widening its focus to consider national goals as well as local priorities into its work planning. In Chapter 7 we set out proposals that Chief Executives of Local Authorities must set out short, medium and long term performance aspirations and performance plans as part of their corporate planning arrangements. For internal review to add real value to their Local Authority, Scrutiny Committees should mirror this approach to planning. We believe there is merit in requiring Scrutiny Committees to do the same and establish short, medium and long term scrutiny plans linked to the national goals and their Authority’s corporate plan, local well-being plan (as proposed in the Well-being of Future Generations (Wales) Bill) and key decisions.

To support others in contributing to the scrutiny process and strengthen the voice of local people, we propose that Scrutiny Committees should be required to set out in their forward plans how they will engage with service users and the public. This should include identifying which community groups and representatives they intend to call upon and engage with. In considering their calls for evidence, Scrutiny Committees should make particular reference to under-represented groups and increasingly consider the appropriateness of co-opting individuals to contribute to the debate. Guidance<sup>100</sup> was issued on co-option under the Local Government (Wales) Measure 2011 and we would encourage Scrutiny Committees to make reference to this.

### 8.4.4 Voting Rights on Scrutiny Committees

In Chapter 3, we explored the case for co-opting additional members both to the Cabinet and committees of the Council, including Scrutiny Committees, in order to improve diversity and secure more balanced representation when required. Currently, the law permits co-opted members of advisory committees to the Council to have voting rights, but it does not permit co-opted members of Scrutiny Committees to have voting rights.

The Welsh Government believes this restricts Scrutiny Committees from making the most

97 Practice guide 2: Pre-decision scrutiny, Centre for Public Scrutiny, 2014 <http://www.cfps.org.uk/practice-guides>

98 Good Scrutiny? Good Question!, Wales Audit Office, 2014 <http://www.cfps.org.uk/publications?item=113&offset=0>

99 A cunning plan? Devising a scrutiny work programme, Centre for Public Scrutiny, 2011 <http://www.cfps.org.uk/publications?item=113&offset=0>

100 Statutory Guidance from the Local Government Measure 2011, Welsh Government, 2012 <http://wales.gov.uk/topics/localgovernment/publications/statguide/?lang=en>

of the experience and knowledge of experts, service users and under-represented people. We believe consideration should be given to permitting Councils to grant voting rights to co-opted members of Scrutiny Committees in appropriate circumstances.

#### 8.4.5 A Local Public Accounts Committee

Local Government and public services more generally are working in a complex world. This requires stronger public scrutiny and accountability for partnerships and joint or pooled budgets. To meet this challenge, the Centre for Public Scrutiny has developed a proposal for local Public Accounts Committees.<sup>101</sup>

This proposal would involve the introduction of independent, local Public Accounts Committees, with oversight over all public expenditure in a local area. A local Public Accounts Committee would have the power to scrutinise public expenditure in a local area. Its focus would be on the value for money achieved by the combined spending of public money in the local area, with a particular remit to assess whether planned outcomes are being achieved through partnership-working and pooled or joint budgets agreed under place-based finance arrangements. Local Public Accounts Committees could provide place based accountability and be an important link to Public Services Boards.

This work is due to be piloted in Westminster and Kensington and Chelsea Councils. We believe these proposals could merit further consideration and we are seeking views on the concept of introducing such a model in Wales.

### 8.5 Giving Communities a Voice in Scrutiny

People want to be involved and engaged if they believe they can make a difference. In Chapters 4 and 5, we set out our proposals to enhance engagement with local people and communities. This includes engagement in the assessment of service provision, such as through participation in scrutiny.<sup>102</sup> While this is already happening in some places, it is neither systematic nor embedded as part of the culture of our public service organisations.

For example, the Care and Social Services Inspectorate Wales (CSSIW) has changed the way they carry out inspections of services to place the views of people using services at the heart of their work. They now spend more time listening, talking to people and observing. In 2013 and 2014, CSSIW piloted ‘independent visitor’ schemes in care homes for older people and people with a disability, and children’s homes. Their National Advisory Board includes a wide range of representation from among service users, third sector and professional organisations. We consider this an example of good practice from which Local Government could have much to learn.

We intend to strengthen the opportunity for people to directly contribute to service improvement through local scrutiny, by requiring opportunities to be made available for local community based representative bodies to engage with scrutiny. For example, Scrutiny Committee calls for evidence should be directed to local community based representative bodies through the Area Boards we propose in Chapter 4 above, and information on which groups that Scrutiny Committee intends to engage with should be included in its forward plan. In addition, individuals and representative bodies should be able to petition Scrutiny Committees

<sup>101</sup> A local Public Accounts Committee for every place: a CfPS proposal, Centre for Public Scrutiny, 2013  
<http://www.cfps.org.uk/publications?item=11575&offset=0>

<sup>102</sup> Bringing the power of the citizen into local public services: an evidence review, Tony Bovaird, INLOGOV, Welsh Government Social Research, 2014. <http://wales.gov.uk/statistics-and-research/democracy-community-governance/?lang=en>

on matters of Authority wide concern. Scrutiny Committees would be required to consider the appropriateness of exploring the matters raised and respond to the petitioner.

Direct engagement of the public with their elected representatives is a crucial part of the local democratic process. Some Local Authorities in Wales, such as Cardiff, already offer people the opportunity to question the Leader of the Council, and we propose this opportunity should be offered within all Local Authority areas.

### 8.6 Scrutiny of Regional Collaborative Working

Local Authorities are increasingly commissioning services jointly to be delivered across a regional area. These include services such as education improvement services, social services, children's services and technical services. Local Government has raised the issue of simplifying the scrutiny arrangements for services delivered collaboratively across a region.<sup>103</sup>

The Local Government (Wales) Measure 2011 enables Local Authorities to form Joint Overview and Scrutiny Committees to undertake this task. However, the evidence suggests these powers are rarely used and, in some cases, may be exercised in addition to, rather than instead of, scrutiny by individual Authorities. It is onerous and bureaucratic for regional delivery bodies, whose services have been commissioned by Local Authorities jointly, to be subject to scrutiny separately by each of the relevant Local Authorities. We are therefore seeking views on whether it would be beneficial to simplify regional scrutiny. For example, legislation could require that where services have been commissioned jointly, they must be scrutinised by a Joint Overview and Scrutiny Committee, made up of elected members of the commissioning Authorities. The Joint Overview and Scrutiny Committee could be required to address any concerns raised by local Scrutiny Committees and report to them on action taken.

### 8.7 External Review – Scrutiny by Audit, Inspection and Regulation Bodies

The Welsh Government defines audit, inspection and regulation as follows:

*Audit is concerned with accuracy. It considers whether a set of data about an organisation (e.g. its financial statements) is properly calculated and fairly presented.*

*Inspection is concerned with competence. It considers whether an organisation and/or the services it provides are of an adequate standard, whether in terms of public need or expectation or of an accepted professional practice.*

*Regulation is concerned with compliance. It considers whether an organisation's activities conform to legal or similar requirement; and may lead to formal action if they are found not to be.*

The key bodies in Wales in relation to Local Government are the Auditor General for Wales and the Wales Audit Office, Estyn (education and children's services) and the Care and Social Services Inspectorate Wales (CSSIW).

External audit, inspection and regulation are vital parts of our current approach to testing and improving public services. We believe they play a valuable role in providing an authoritative and independent view of Local Authority performance which encompasses both corporate

<sup>103</sup> See for example, 3.5 in the Consultation – summary of responses to the White Paper, Devolution, Democracy and Delivery: Reforming Local Government <http://wales.gov.uk/consultations/localgovernment/white-paper-reforming-local-government/?status=closed&lang=en>

governance and service provision. Existing legislation defines the roles and duties of the audit, inspection and regulation bodies and provides a framework in which they operate.

Audit, inspection and regulation bodies play a critical role in working with Local Authorities to test a number of aspects of their business including propriety, accountability, service standards and improvement. Sometimes, their work is seen as burdensome or a distraction from the business of delivering services. While this may be understandable when staff and resources are pressed, external scrutiny plays a critical role in ensuring services are fit for purpose.

### 8.8 Strengthening Links between External and Internal Review

The Commission on Public Service Governance and Delivery proposed that *“auditors, inspectors and regulators who report on individual organisations must do so directly to the appropriate Scrutiny or Audit Committee. Where appropriate, they should assist the committee in its consideration and holding the executive to account.”* We agree. We believe this is critical to ensuring a stronger, more flexible and adaptive relationship between external review bodies which can better support Local Authorities to improve.

A strong relationship between internal review and review by external bodies is essential in ensuring a Local Authority is held to account for its governance arrangements and planning for improvement at the corporate centre and improving the Authority. We therefore intend to require external review bodies to share audit, inspection and regulatory reports with the relevant Audit or Scrutiny Committee. These committees would be required to review them and provide recommendations to the Authority. Where appropriate or when requested, the external review bodies would be required to present their findings and recommendations to members of the relevant Audit or Scrutiny Committee.

The Welsh Government is currently funding a project under the Scrutiny Development Fund to test this approach. The project is based in Cardiff Council, where the scrutiny team is working with external review bodies to make recommendations on how the functions of local scrutiny and external review can be better aligned and mutually supportive. A report is scheduled to be published in May 2015. In practice, some of this is beginning to happen.

Work is already underway to strengthen these links. Estyn and CSSIW are already sharing their reports with Elected Members. CSSIW has also developed their “New Deal” offer, working with Scrutiny Committee chairs and Elected Members to provide them with training to increase awareness and understanding of the sector and support them in their scrutiny process, providing regular publications to keep Members informed of best practice, and regular reports on local issues through dedicated Area Managers.

### 8.9 Strengthening Links between External Review Bodies

In Chapter 6, we set out a new system to drive improvement through self-assessment and peer review. We believe that by bringing together these evaluations, alongside reports from external review bodies it is possible to evaluate the ‘whole system’ at both a Local Authority level and for Local Government as a whole.

We propose to require the Wales Audit Office, Estyn and CSSIW to come together, drawing on existing reports and information, to produce a single ‘whole system’ assessment of each Local Authority. We anticipate this report would be produced on a biennial basis initially, alternating with the peer review cycle, to support Authorities to develop a better understanding of their

corporate 'health' and allow them to consider any additional action they need to take or support they might require to address issues or concerns.

To complement these assessments we will require the Wales Audit Office, Estyn and CSSIW to produce a single annual assessment of the state of Local Government in Wales and present this to Welsh Ministers and the National Assembly for Wales. This will support the major programme of Local Government reform and highlight areas for improvement support across the whole sector.

The Local Government (Wales) Measure 2009 (section 23) already requires the external review bodies to work together to coordinate their inspections to minimise the impact on Local Authorities and produce a timetable of work. Given our intention to repeal the Local Government (Wales) Measure 2009, we will restate these requirements in new legislation. To encourage greater openness and transparency, we will require this information to be included on the single information portal (see 7.3 above).

### 8.10 The Review of Audit, Inspection and Regulation

The Welsh Government recently commissioned an independent review of audit, inspection and regulation in Wales, encompassing the Wales Audit Office, Estyn, CSSIW and Healthcare Inspectorate Wales.<sup>104</sup> Following this review we are proposing a threefold approach. The Welsh Government will set the overall regulatory framework and it will be for local leaders and decision-makers to ensure they are complying with the framework and attaining national standards. Secondly, it is for Local Government scrutiny to hold the Executive to account, and to pursue performance excellence and challenge underperformance rigorously. Finally, it is for the audit and inspection bodies to identify areas for improvement and, in extreme circumstances, advise Welsh Ministers on the need for intervention.

The first phase of this review aimed to establish the purpose of audit, inspection and regulation. It resulted in the development of an external review framework, setting out the purpose, core functions and attributes of audit, inspection and regulation. These are set out below, we are seeking views on them.

This external review framework supports the need for a more effective and joined-up approach to audit, inspection and regulation, allowing for the identification of potential problems more quickly and informing improvement activities more effectively. The external review framework was developed as a means to identify current good practice and identify current barriers to the provision of a system which is well coordinated and successful in promoting improvement. As such, it can be used as a model to identify when and where external review work well in Wales and how this good practice can replicated elsewhere.

Purpose:

- Protecting the interests of citizens by holding the use of public resources to account and by rigorously telling the story of how citizens experience services.
- Contributing to the wider improvement framework, within organisations, the Welsh Government and wider public sector.

<sup>104</sup> Phase 1 – Draft Report: Review of Audit, Inspection and Regulation, Shared Intelligence for Welsh Government, 2014 <http://wales.gov.uk/consultations/localgovernment/phase1-draft-report-review-of-audit-inspection-regulation/?skip=1&lang=en%20> (Additional Concluding Section to be published early 2015)



#### Core Functions:

- Assessing compliance with governance, financial stewardship and probity standards and regulations.
- Assuring the quality and cost effectiveness of service provision.
- Public reporting on the stewardship of public resources, service delivery against standards and the adherence to regulations.
- Contributing to improvement including by encouraging self improvement, acting upon a critical report and encouraging wider sectoral support.
- Identifying, acting upon and reporting early signs of ‘failure’ within a service or organisation.
- Informing policy and practice, beyond individual organisations.

#### Key attributes:

- **Proportionality:** proportionate to the risk, potential for improvement, likely benefit and interests of citizens. It applies in terms of deciding whether to use external review and in deciding its nature, scope and duration.
- **Independence:** it must not be constrained by any party in reaching its conclusions and publishing its findings. It must be free to make judgements about service delivery and report its findings into the public domain, and it must be able to decide how it discharges its responsibilities, once its focus has been agreed.
- **Accountability:** external review must demonstrate and report on the impact of its activities. Assessments and findings must be fair and capable of being defended.
- **Collaboration:** external review must collaborate in the interests of greater local impact, greater cost effectiveness and to reduce the burden on those being reviewed.
- **Value for money:** external review should be able to demonstrate it delivers benefits commensurate with its cost.
- **Transparency:** external review must be transparent in all its activities, its focus, decision making criteria, business processes, assessments and reporting. Reports must be clear, independent and consistent.
- **Professionalism and competence:** external review must be conducted in a way which demonstrates professional integrity and competence. It should be credible, consistent and impartial in all its activities.

It is clear audit, inspection and regulation should be focused on the outcomes which are achieved, rather than processes and methodologies used to deliver those outcomes, except where these processes are hindering delivery and improvement. As such, the arrangements which each Authority puts in place to deliver services should remain largely a matter for them, so long as they are clearly delivering the outcomes.

In view of our proposal to repeal Part 1 of the Local Government (Wales) Measure 2009, we propose to continue looking at the role of audit, inspection and regulation as part of the development of the new arrangements. This includes the promotion of a more joined up approach in relation to audit, inspection and regulation, and the benefits this could realise.

### 8.11 We would like your views

The Consultation Survey asks questions on the following themes:

- Democratic services
- Strengthening internal scrutiny
- Encouraging public voice
- Regional scrutiny arrangements
- Strengthening links between external scrutiny
- The external review framework

## 9 Reforming Local Government Finance

**This Chapter discusses how the funding of Local Government will need to change to support the reforms outlined elsewhere in this paper and to provide a more effective framework for funding Authorities. It also discusses the need for clearer financial governance and accounting arrangements and how these may be simplified in the future.**

**We propose a phased approach to developing a Local Government finance system fit for the new Authorities, which in the shorter-term will include the necessary changes to effect mergers and the reforms proposed in this paper.**

**In the longer-term, we intend to consult on and bring forward further legislation to effect more fundamental changes to the Local Government finance system. The longer-term approach will enable us to design a system which takes account of wider changes to the powers and fiscal responsibilities of the Assembly, and could allow Local Authorities to raise more of their finance themselves.**

### 9.1 Introduction

*Reforming Local Government* and the earlier Chapters of this White Paper set out what we want from Local Government in Wales and our proposals for reforming the way in which it operates and delivers services to produce improved performance and clearer accountability. These ambitions will need to be supported by changes to the way local services are funded and to the mechanisms for distributing, raising, managing and accounting for the funding.

Local Authorities in Wales (County and County Borough Councils) currently spend over £8 billion a year on running costs and capital spending in delivering services. This spending is funded from a number of sources. These include Welsh Government general and specific grants, redistributed non domestic rates, grants from other bodies, income from Council Tax, fees and charges, capital receipts and borrowing. Authorities also manage significant reserves and balances. The largest single source of funding is the Welsh Government's Revenue Support Grant which currently contributes around £3.3 billion a year, whilst centrally redistributed non domestic rates contribute a further £1 billion. The future financial and demand pressures have been well documented but the relative protection afforded to Local Government funding in Wales and the contributions from the various funding streams means, despite the recent reductions to the funding provided through the Revenue Support Grant, overall spending by Authorities in Wales has continued to increase, albeit modestly.

The current system for funding local services is complex. It is formed of different but closely interconnected parts and reflects choices made over time and for different aspects of the system. There are also specific arrangements for funding certain parts of Local Government not included in the figures above. Some of these, such as Fire and Rescue Authorities and Community Councils, form part of the *Reforming Local Government* agenda but there are others which do not. For example, the funding for police services in Wales is partly devolved and partly not – the Welsh Government distributes Revenue Support Grant and non domestic rates to Police forces in Wales and manages the framework for the Police component of Council Tax, whilst the Home Office is responsible for overall policy, spending plans and certain funding

streams including the Police Grant. This means there may be limits to the extent to which we might be able to develop and redesign parts of the system within the current devolution settlement for Wales. The opportunities for change could be much greater should a different range of powers be devolved to Wales at a future date.

## 9.2 Our Vision

We will review the mechanisms for funding Local Authorities and the frameworks which underpin the management of their income and expenditure to ensure they provide fit for purpose financial systems for the new Authorities. However, the mechanisms need to do more than this. They need to provide a funding environment which supports the reforms set out elsewhere in this White Paper. This means having financial mechanisms which enable the provision of better services as part of a stronger framework for determining which services are provided and how; for deciding how the available resources are used to fund them; for ensuring funding is used efficiently and to greatest effect; and for building clearer lines of accountability between the decision-makers and local people, including where possible the greater involvement of local people in making such decisions.

In particular, we want to consider how we can develop stronger links between funding, performance and the delivery of strategic outcomes. We will also seek to simplify the current funding arrangements where this is practicable and to ensure Local Government's funding and budgetary arrangements are more inclusive and transparent and are connected to our proposals for community governance and the role of Councillors, including their role in scrutinising proposals and decisions. This will entail greater access to information about how each Authority proposes to use its funding, how effective it has been in using it, and the extent to which this results in the delivery of better services. This will be a critical component of the corporate plan (Chapter 7). We also want a system which can be more responsive to the needs of Wales. The current system remains robust and sustainable, but many of its features were designed with the needs of the UK as a whole in mind.

The Welsh Government's role in relation to funding and financial management is to create the framework within which Local Government can operate to best effect. Authorities have clear responsibilities for setting budgets, taking account of local priorities, and for ensuring they manage their resources prudently, efficiently and effectively and deliver value for money. We want to maintain, and where possible reinforce, clear lines of accountability.

Our aim therefore is to develop:

- an effective and efficient system for funding the new Authorities;
- the framework for financial governance to ensure it provides for the effective management of resources by the new Authorities and provides clear lines of accountability; and
- funding and financial regimes which support the reform of Local Government democracy, governance and performance.

As such, the features of the new framework should include the following:

- create stronger links between funding and the delivery of outcomes, enabling improvement in service delivery, performance and efficiency;
- reflect existing patterns of need whilst, over time, seeking to reduce the disparity in need across Wales;

- encourage and enable innovative approaches to delivering services, for individual Authorities and for Authorities in partnership with public sector partners and other bodies;
- provide greater freedom to make decisions locally, allied to clear improvements in performance. Foster better planning with a more integrated and sustainable approach to balancing funding and service pressures;
- enable Authorities to manage demand for services over the longer term;
- offer a wider range of options for funding delivery, including more flexible arrangements for funding joint ventures;
- engage local communities in important choices and decisions;
- provide clearer information about how funding decisions have been made and by whom; and
- ensure this information is easily accessible to all.

### 9.3 Our Approach

We need to take a more strategic and longer term approach to reform of the finance system and its interconnected parts. We must ensure the approach integrates effectively with the way the Welsh Government takes forward wider constitutional and fiscal reforms, in particular, the need for a consistent framework for administering devolved taxes. Fundamental changes to the funding arrangements are not without their risks and any significant change may result in large or more frequent movements in funding between public service organisations. A feature of any new funding system should be that it is sufficiently stable to ensure where movements in funding are necessary, they do not pose a risk to the financial stability of organisations as a whole or to the key services which they provide to the public. We will need to take such risks into account in developing our proposals, as there cannot be any expectation of large injections of new money to mitigate such effects. Not all of these changes would need primary legislation, we can make many changes through secondary legislation, guidance or the promotion of good practice.

We intend to approach the reform of the funding framework in distinct phases. The first phase will identify and implement the essential changes needed to effect the merger of Authorities and the reforms set out in this paper. Any legislative changes required will be incorporated into the second Bill, referred to earlier in this White Paper, or taken forward in secondary legislation under existing powers.

The next phase will consider more fundamental changes to the way Local Government is funded. This may include looking at the balance between funding which is provided centrally and that which is generated locally through local taxes and other charges. It may also include considering whether the current forms of local taxation (Council Tax and non-domestic rates) need to be redesigned. It will also consider the findings of relevant work which is underway elsewhere, such as the report of Independent Commission on Local Government Finance in England, due to be published later this year. We expect this to lead to a further White Paper after the next Assembly elections in 2016.

This approach will enable us to design a system which takes account of wider changes to the powers and fiscal responsibilities of the Assembly, notably, the full devolution of non-domestic rates in April 2015, non-domestic rates revaluation in 2017 and new devolved taxes expected

to come into effect in April 2018. We will therefore develop and consult on more detailed proposals in due course.

*Reforming Local Government* offers a once-in-a-generation opportunity to effect a new approach and any fundamental reform of the funding will require considerable time and preparation to develop, design and implement. Therefore, we are seeking initial views on how the funding framework might be improved. The following sections distinguish between the areas which we believe will need to be addressed in readiness for the merger and reform of Local Authorities and those which might form part of a more fundamental and longer-term review of the funding framework.

### 9.3.1 Sources of funding

Local Government services and capital investments are currently funded through a mix of centrally provided and locally raised funding. The balance between these sources reflects the fact Local Authorities have a range of statutory duties to provide certain services but have discretionary powers to deliver additional services and also have some discretion as to the way in which they deliver certain statutory functions.

Within Local Government, there is a question as to whether the balance between the funding provided centrally and that generated locally should change. For example, a change in the balance of funding to give Local Government more discretion over local sources of funding could result in Authorities having greater flexibility to meet financial challenges. Any such change would need to go hand in hand with Authorities being more directly accountable to local people for the use of the funding at their disposal and improving long term financial and service planning to ensure the available funding is used to best effect.

This might include new or stronger mechanisms to ensure funding is used strategically, for example targeting it towards preventative spend which delivers sustainable improvements in public services. Funding should have clear links to the delivery of national policy outcomes and the approach to performance improvement set out in Chapter 6. It might also include consideration of how the funding system could reflect success in achieving longer term positive outcomes or, if necessary, deter or address poor performance.

### 9.3.2 General revenue funding – local taxation

The approach to funding the general revenue costs of Local Government in Wales has existed in its current form since 1993 when Council Tax was introduced. For Local Authorities, the main Welsh Government component of funding is made up of Revenue Support Grant and redistributed non domestic rates. It is determined by assessing the relative need of each Authority, based on a number of agreed indicators, and taking account of its ability to raise Council Tax (this depends on the number and value of properties liable for Council Tax in each area – its tax base). This annual process is carried out in detailed consultation with Local Government and is subject to formal approval in the Assembly.

Both Council Tax and non-domestic rates bear many similarities to previous funding mechanisms, in that they are related to the value of the property (domestic or non domestic) on which they are levied and the fact that they are raised within each Authority to generate funding for the local services provided in that area.

Whilst both systems have had their critics, they have stood the test of time as mechanisms for raising revenue to fund local services. The most comprehensive review of the Council

Tax system, the 2007 Lyons Review,<sup>105</sup> concluded that the system was “not broken”. The Review made a number of recommendations for improving the system, including the revaluation of properties and the extension of the bandings: these were implemented in Wales. Apart from a few specific exemptions, non domestic rates apply to all non domestic property, including public property and property occupied by non profit making organisations. Changes to the system in 1990 introduced a national approach with receipts being pooled and redistributed to iron out local variations and ensure sufficient funding is available for Authorities with small tax bases. Very few Authorities in Wales consistently raise more in non-domestic rates than they receive from the national pool.

Much of this local variation will be reduced by having a smaller number of larger Authorities and there will be substantial scope for economies of scale in administration and collection. However, replacing or redesigning either system would be costly and complex and could result in substantial shifts in liability for some tax-payers. Any replacement system would therefore need to offer clear benefits or improvements to justify the investment. We would also wish to ensure any large-scale redesign complements the approach taken in Wales to the collection and management of devolved taxes through the creation of the Welsh Revenue Authority and aligns to the tax principles of fairness, simplicity, stability and supporting growth outlined by the Welsh Government in November 2014. Therefore, as outlined in *Reforming Local Government*, we do not anticipate making major changes to the main features of the Local Government finance system in advance of the second Bill.

However, in the shorter term, we intend to take the opportunity to simplify and streamline the existing systems as much as possible to support greater efficiency and clearer accountability. Both the Council Tax and non domestic rates systems have grown incrementally over the past 20 years, with various relief schemes – such as Council Tax reduction schemes – new provisions, discounts, exemptions and so forth being added on. There are also some inconsistencies. We wish to review and design out some of these complexities to develop simpler, more understandable systems which are easier to manage. There is also a question as to how much local discretion should be allowed in the administration of the schemes. Non domestic rates are set nationally, whilst Authorities have discretion to set their Council Tax, with the Welsh Ministers having powers to impose limits (caps) where they consider increases to be unreasonable. We are seeking views on whether specific parts of the existing local taxation systems could be simplified.

### ***9.3.3 General revenue funding – distribution***

The available Welsh Government funding provided through the Revenue Support Grant and non-domestic rates is distributed between Local Authorities using a formula which is reviewed annually. It incorporates a series of indicators of the social and economic characteristics for each Authority, providing an assessment of their relative need on an objective basis. We intend to retain this needs-based formula approach but the process of mergers will require the development of a new basis for distributing the funding.

In the short term, we intend to consider any changes to the distribution system which are necessary to enable the Welsh Government to continue to distribute revenue funding to Authorities during the period of transition to new Authorities. Any necessary changes will be included in the second Bill or effected as part of secondary legislation.

<sup>105</sup> The Lyons Inquiry into Local Government, 2007 <http://www.lyonsinquiry.org.uk/>

In the longer term, we will conduct a fundamental review of the current distribution mechanism to ensure it can assess the relative need of the new Authorities, whilst ensuring the funding methodology does not in itself reinforce disparities in need across Wales. The review will look at the underlying methodology as well as the formula itself. The current approach draws on past spending patterns whereas we will want to explore the scope for the distribution to reflect a more outcome-based approach to performance and improvement. As well as reviewing the formula and the component indicators, we want to ensure the new distribution is as clear and simple as possible. We already publish comprehensive details about the way the funding is distributed but transparency is about clarity as well as openness.

The new approach will also need to take account of any changes to other tiers of Local Government where reform might have implications for the way those Authorities are funded. These might include, for example, Fire and Rescue Authorities and Community Councils (see 4.9 above). As each of these tiers is funded in a different way at present, we will also aim to develop funding arrangements which allow for a simpler and more consistent approach. We will develop this new approach in consultation with Local Government.

#### **9.3.4 General revenue funding – council tax**

The *Reforming Local Government* White Paper noted there should be no need for the overall Council Tax requirement to increase as a consequence of mergers whilst recognising there might be local impacts on Council Tax levels as a result of the redistribution of funding. It asked for views on the most equitable approach to raising revenues for local services and we will take the responses into account in designing the funding systems for the new Authorities.

#### **9.3.5 Other revenue funding and flexibility**

Welsh Authorities also receive a considerable amount of revenue funding in the form of specific grants from the Welsh Government (around £700 million a year) and from other government bodies. These grants provide funding for specified purposes and Ministerial priorities. We recognise there are administrative overheads associated with managing funding in this form and that Authorities want greater flexibility in how they use such funding. However, there is a balance to be struck in ensuring some funding is available for, and is targeted towards, national priorities and new initiatives. We will explore, as part of our initial work and the longer term review, the scope for managing such resources in ways which contribute to the delivery of better services and provide clearer accountability, including whether such funding might be better deployed by channelling it to other providers.

Authorities also generate over £1 billion a year in locally-raised fees and charges and other income. Greater local flexibility over the setting of fees and charges might assist Authorities in managing financial challenges. The Welsh Government recognises there may be some benefits in giving local discretion over the setting of fees and charges. A general power of competence, as referred to in Chapter 2, would provide for this but we would also want sufficient controls in place to ensure key services are affordable for those who need them and the services are delivered in ways which are consistent with national priorities.



Another source of funding available to Local Authorities is repayable grants administered by the Invest-to-Save Fund. Approximately £20m is available for distribution to public services each year through an annual bidding round. The Invest-to-Save Fund is also well positioned to provide support for innovation and service redesign.

We will also consider other areas where greater flexibility might offer Local Authorities more control over the planning and management of their budgets. We are seeking views on how greater flexibility can be designed into a new Local Government finance system, whilst safeguarding the need to target appropriate spend towards national priorities.

### **9.3.6 Capital funding**

Like revenue spending, capital spending and investment is supported through a mix of central and local funding. The Welsh Government provides capital funding through general and specific grants, as well as through access to Invest-to-Save funds. Support for the cost of borrowing is provided through the Revenue Support Grant and through the Local Government Borrowing Initiative. Local Authorities complement this with the use of capital receipts and locally funded borrowing. Local Authorities also manage substantial portfolios of capital assets although these vary considerably from Authority to Authority.

There is already a well established framework governing capital spending which gives Local Authorities considerable autonomy whilst ensuring that any borrowing is prudent and affordable and assets are managed appropriately. Building on this, we want to ensure the capital funding system is fit for the 21st Century and to explore innovative approaches to funding and ways of ensuring capital infrastructure is developed strategically and managed effectively to deliver the best outcomes. Such considerations will form part of the longer term work on reforming the Local Government finance system. We are seeking views on whether there are any changes that would be achievable and desirable in the shorter term and as part of the second Bill.

### **9.3.7 Funding other tiers of Local Government**

As well as the Local Authorities, the current funding arrangements encompass a number of other tiers of Local Government, including Police and Crime Commissioners, Community Councils, Fire and Rescue Authorities, and National Park Authorities and a number of smaller authorities, boards and committees. These do not all fall within the scope of Reforming Local Government but we will examine the options for making the funding arrangements more coherent and effective for those bodies which do.

Community Councils are currently funded mainly through each Community Council issuing a precept for Council Tax to its Local Authority. The precept for a particular Community Council forms part of the Council Tax bill for each household in the relevant area. These precepts are subject to different rules from those over the Council Tax set by a Local Authority or a Police and Crime Commissioner.

The proposals for community governance in Chapters 4 and 5 will have implications for the way services and functions are carried out within communities and, in turn, for the way such services are funded. We will want to ensure any new funding arrangements provide clear accountability and maximise the opportunity for communities to be engaged in decision making.

Fire and Rescue Authorities are funded through a levy on their component Local Authorities. The levy is apportioned according to the population base of the constituent Authorities but is funded from each Authority's general revenue funding. This means it is

funded through a combination of the Revenue Support Grant, redistributed non-domestic rates and Council Tax but the contribution from each of these sources is not identifiable. The arrangements will need to be reviewed in light of any reforms to how fire and rescue services are governed. The Welsh Government will be consulting separately on proposals for the governance of Fire and Rescue Authorities and any associated changes to funding arrangements.

Outside the scope of this White Paper, changes to the functions and governance of National Park Authorities are also being considered. We will keep the financial arrangements under review to ensure they support the effective operation and oversight of the national parks, integrate more effectively with other parts of the Local Government finance system and align with the vision outlined earlier in this chapter.

## 9.4 Financial Governance

The current framework for governing financial and accounting practices and audit requirements for Local Government finance is set out over an extensive body of primary and secondary legislation, supplemented by numerous pieces of statutory and professional guidance and codes of practice. In addition to the management of the various funding streams referred to above, it encompasses the management of reserves, treasury management functions, the management of assets and liabilities, the preparation of accounts, and forward planning to name but a few. One of the key features of the regime however, is that it is based on the principle that each Authority is a separate, democratically accountable body which has a considerable degree of flexibility in the way in which it exercises the duties placed upon it and provides services. The framework requires prudence in financial management and requires those responsible for making decisions to do so transparently and be accountable for the decisions they make. There are also specific fiduciary duties on each Authority's Section 151 Officer, as appointed under the Local Government Act 1972. All Local Authorities are subject to rigorous external audit.

We do not propose to change this central principle as we believe it is fundamental to the way Local Government operates and its relationship with the Welsh Government. Neither do we intend to separate the approach in Wales from that which currently exists and works within UK-wide professional frameworks. However, we will look to update, streamline and consolidate aspects of the framework to ensure decisions can be made in ways which lead to improved delivery and performance and focus spending where it has the greatest impact. We intend to consider improvements to the current system both in terms of accountability and community engagement, and also in terms of financial planning and access to information.

### 9.4.1 Accounting, accountability and engagement

The arrangements for financial governance should make the responsibilities for decision-making more transparent and provide clearer lines of accountability between the Welsh Government (and other funding bodies), Local Government and local people. Our vision for the future framework is one of greater openness and accountability, where people actively engage in the spending decisions which affect their daily lives and the end result carries with it a clear rationale. In support of this approach to openness and transparency and greater community engagement, we intend to issue statutory guidance on how Authorities should engage with the local community when determining their annual budget and Council Tax requirement. We would expect all Authorities to improve the transparency and accessibility of published accounting information by making information such as budgets,

balances and past expenditure levels available on the single information portal when established.

#### **9.4.2 Financial planning**

A key requirement of the future governance framework is that it needs to reconcile the enduring reality of funding constraints with the expected growth in demand for certain local services. We recognise this means difficult choices for spending. The corporate planning requirement set out in Chapter 7 will support more robust medium and long term financial management, asset management and workforce planning.

The Welsh Government has a clear policy to provide indicative settlements for Local Government where we have forward indications regarding the Welsh Government Budget from the UK Government. We do not intend to change this policy and we will use this information to support medium and longer term financial planning. Simpler, clearer financial planning systems should stimulate better focused and better performing local services which take account of priorities and funding pressures now and in the future.

### **9.5 We would like your views**

The Consultation Survey asks questions on the following themes:

- Our vision and the proposed phased approach
- Balance of funding and flexibility
- General revenue funding – local taxation
- General revenue funding – distribution
- Financial governance and accounting arrangements

## 10. Conclusion

This White Paper sets out our vision for the future of Local Government in Wales. We want high performing, inclusive and accountable Local Authorities which operate transparently and openly, and plan effectively. We want Local Authorities, and Community Councils, to make best use of the resources available to them, sharing power and responsibility with the communities they serve.

Delivering this vision will need a proper relationship between those who provide a service and those who rely on it, through stronger local democracy and more effective scrutiny.

The Welsh Government cannot deliver the changes needed on its own, and neither should it. All our public services face complex and unprecedented challenges, as well as a future that will be politically, socially and technologically dynamic. Success will require astute and adaptive leadership commensurate with the challenges we face. We will find and we will support that leadership wherever it grows – in our Local Authorities, in our other public services, and most of all our communities themselves.

## 11. Glossary of Terms

Term	Explanation
Audit	Audit is concerned with accuracy. It considers whether a set of data about an organisation (e.g. its financial statements) is properly calculated and fairly presented. The independent examination of data, statements, records, operations and performance (financial or otherwise) of a Local Authority to ensure public money is being spent efficiently and effectively.
Cabinet	The Leader and Cabinet model was introduced following the Local Government Act 2000. The Cabinet consists of the Leader and other Cabinet Members, usually formed by the majority party in the Local Authority. Each member of the Cabinet holds a separate portfolio, such as education, social services, culture, etc.  The Leader and Cabinet are responsible for policies, plans and strategies, and for recommending them to the full Council.
Community Council	A Community Council is a public representative body. It is established to attend to local interests and to organise community activities. Community Councillors are elected to a Community Council by public poll.
Community of Interest	A 'community of interest' is defined not by space, but by some common bond (e.g. feeling of attachment) or entity (e.g. farming, church group). It is a gathering of people assembled around a topic of common interest. Its members take part in the community to exchange information, to obtain answers to questions or problems, or to improve their understanding of a subject.
Community of place	A community of place or place-based community is a community of people who are bound together because of where they reside, work, visit or otherwise spend a continuous portion of their time. Such a community can be a neighborhood, town, coffeehouse, workplace, gathering place, public space or any other geographically specific place that a number of people share, have in common or visit frequently.
Constitution	Local Authorities are required by law to have a constitution which sets out their standing orders (the rules under which they operate) and various other matters such as how elected members must behave, and job descriptions for key roles.
Council	The Council is the full body of elected members in a Local Authority, including members of the Executive and all other Elected Members. It does not include any employees of the Local Authority. Some decisions may only be taken by full Council and may not be delegated to the Executive, committees of the Council or to employees.
Councillor	Another term for an Elected Member. It can refer to Elected Members of Principal Local Authorities or Community Councils – the meaning is generally clear from the context.
Elected Member	A person elected by public poll to a Local Authority
Executive	Within the context of this White Paper, this is another term for the Leader and Cabinet.

External review	Critical review of the decisions and actions of a Local Authority by external bodies, in particular the Wales Audit Office, and the bodies charged with inspecting social services (Care and Social Services Inspectorate Wales) and education (Estyn).
Head of Paid Service	A statutory role charged with providing and managing the staff of a Local Authority.
Inspection	Inspection is concerned with competence. It considers whether an organisation and/or the services it provides are of an adequate standard, whether in terms of public need or expectation or of an accepted professional practice.
Internal review	In this paper, this phrase is mostly synonymous with scrutiny, but it also includes other mechanisms such as review by the Executive of its performance or effectiveness, or the actions of internal audit and governance functions.
Local Authority	A County or County Borough Council in Wales. See also Unitary Authority. In this document we use the term Local Authority except where specified.
Local Government	Local government is a form of public administration which exists as a lower tier of administration. The term is used to contrast with offices at a higher level referred to as central or national government (i.e. the Whitehall Government or the Welsh Government).  Local government act within powers delegated to them by legislation or directives of the higher level of government.
Local Service Board	Local Service Boards (LSBs) are non-statutory partnerships across the 22 Local Authority areas in Wales. They agree and oversee a single-integrated plan for the area; the single integrated plan brings together four statutory plans (the Community Strategy, the Children and Young People's Plan, the Health, Social Care and Well-being Strategy and the Community Safety Partnership Plan).  The membership, structure and approach of LSBs vary across Wales, but all have the key leaders and chief executives of the major public service providers in the area.
Non-executive member	An Elected Member who does not sit on the Cabinet of a Local Authority
Officers	Individuals employed by a Local Authority.
Peer Review	Critical review of the decisions and actions of a Local Authority conducted on the invitation of the Local Authority by capable individuals such as senior officers from another public body or retired senior officers.
Public service	The concept of public service is based on a social consensus that certain services should be available to all, regardless of income. Public services benefit all of society rather than just the individual who uses the service.  A public service is a service which is provided by government to people living within its jurisdiction, either directly (through the public sector) or by financing provision of services.

Public Services Board	The Well-being of Future Generations (Wales) Bill proposes to change Local Service Boards into statutory Public Services Boards.
Regulation	Regulation is concerned with compliance. It considers whether an organisation's activities conform to legal or similar requirement; and may lead to formal action if they are found not to be.
Scrutiny	Investigation, enquiry or examination of the decisions of a Local Authority executive, or of the actions or decisions of a Local Authority officer, or into policy areas.
Seat	A place in an elected legislative or other body, individuals are elected to a seat by public poll.
Self-Assessment	Critical review of the capability and capacity of a Local Authority conducted by the Authority itself. Self-assessment is used to explore strengths and identify areas for self-improvement. Focused on supporting an organisation to develop their ambition and approaches to system and service transformation.
Social enterprises, mutual, cooperative and collective ownership models	<p>A business or service with primarily social objectives whose surpluses are principally reinvested for that purpose in the community, rather than being driven by the need to maximise profit for shareholders and owners</p> <p>The key characteristics of a social enterprise are:</p> <ol style="list-style-type: none"> <li>1. They trade, i.e. sell, goods and/or services and any profit or 'surplus' made as a result of their trading activities is either ploughed back into the business or distributed to the community they serve.</li> <li>2. They have a clear social purpose. This may include job creation, or the provision of local facilities e.g. a nursery, community shop, or social care for the elderly.</li> <li>3. They are owned and managed by their employees.</li> </ol> <p>A social enterprise can be a Community Interest Company, a Company Limited by Guarantee, a Company Limited by shares, or an Industrial or Provident Society. Many also take charitable status, such as Housing Associations.</p>
Term Limit	A statutory restriction on the number of terms an official or officeholder may serve.
Uncontested seat	A seat on an elected legislative or other body where only one candidate is put forward. As such no votes are actually cast and the candidate is by definition the victor.
Unitary Authority	A Unitary Authority discharges all the main functions of a Local Authority. In England, and in Wales in the past, these functions have been shared between different tiers of Local Government, such as County and District Councils. In this document we use the term Local Authority except where specified.







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Devolution,  
Democracy and  
Delivery

# Reforming Local Government: Power to Local People

## Consultation Survey (Full)

Date of issue: 3 February 2015  
Action required by: 23:59 on 28 April 2015

<b>Overview</b>	<p>The White Paper 'Reforming Local Government: Power to Local People' is the Welsh Government's statement of intent about the future of Local Government in Wales.</p> <p>The White Paper sets out the Welsh Government's proposals for reform in the following fields: local democracy, the roles and remuneration of Elected Members and senior officers, community governance and Community Councils, community rights, corporate improvement, service performance, scrutiny, audit, inspection and regulation, and finance.</p>				
<b>How to respond or for further information</b>	<p>This consultation covers a large number of matters. Many are of interest to the general public but some are technical in nature and may only to be of interest to Local Authorities. We have designed a web-based questionnaire in order to make both collecting and analysing responses easier.</p> <p>You may choose to address all the issues raised by this White Paper or to complete a shorter version of the questionnaire which focuses on the main matters of public interest. You will be able to choose your preferred option when you start the questionnaire. A word version is also available but we strongly encourage respondents to use the online questionnaire.</p> <p>To respond to the consultation please either complete the online form or request the accompanying questionnaire and return it</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">either by email to</td> <td style="width: 50%;">or by post to</td> </tr> <tr> <td><a href="mailto:RLGProgramme@Wales.gsi.gov.uk">RLGProgramme@Wales.gsi.gov.uk</a></td> <td>Reforming Local Government Welsh Government Cathays Park Cardiff CF10 3NQ</td> </tr> </table>	either by email to	or by post to	<a href="mailto:RLGProgramme@Wales.gsi.gov.uk">RLGProgramme@Wales.gsi.gov.uk</a>	Reforming Local Government Welsh Government Cathays Park Cardiff CF10 3NQ
either by email to	or by post to				
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<b>Further information and related documents</b>	<p>This document is also available in a shorter, plain English version and a youth friendly version on the Welsh Government website.</p> <p>Large print, Braille and alternative language versions of this document are available on request.</p>				
<b>Data protection</b>	<p>How the views and information you give us will be used:</p> <p>Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.</p> <p>The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.</p> <p>Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.</p>				

This is the consultation survey linked to the document *Reforming Local Government: Power to Local People*. It asks some initial questions to establish if you are an individual, a representative body or another type of organisation. It then goes on to ask questions related to themes within the White Paper. Some questions are yes/no, some ask you to express your agreement with a proposition along a 5-point scale, and some ask for your views and give a box in which to provide your thoughts.

### Initial Questions

I am replying on behalf of:							
1.1	<input type="checkbox"/> I am a member of the public, these are my individual views Please tick which age bracket you fall into: <input type="checkbox"/> Under 18 <input type="checkbox"/> 26-35 <input type="checkbox"/> 46-55 <input type="checkbox"/> 65+ <input type="checkbox"/> 18-25 <input type="checkbox"/> 36-45 <input type="checkbox"/> 56-65 <input type="checkbox"/> Prefer not to say Please tell us which Local Authority Area you reside in:						
1.2	<input type="checkbox"/> A Local Authority Please state which Local Authority you represent						
1.3	<input type="checkbox"/> A Community Council Please state which Community Council you represent						
1.4	<input type="checkbox"/> Political Group / Party Please state the name of the party you represent						
1.5	<input type="checkbox"/> Representative body, Professional Body or Association Please state the name of the body						
1.6	<input type="checkbox"/> Elected Member Please state which Local Authority or Community Council you sit on						
1.7	<input type="checkbox"/> Third Sector Please state the name of the organisation you represent						
1.8	<input type="checkbox"/> Trades Union Please state the name of the Trades Union you represent						
1.9	<input type="checkbox"/> Government Agency/ Other Public Sector Body Please state the name of the organisation you represent						
1.10	<input type="checkbox"/> Other Please provide additional information						
1.11	If responding on behalf of an organisation or representative group, how did you gather the views of your members or members of the public in responding to this consultation?						
1.12	Please tell us which document you have read: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;"><input type="checkbox"/></td> <td>Reforming Local Government: Power to Local People (Full White Paper)</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Reforming Local Government: Power to Local People (Summary Version)</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Changing Local Government (Young people version of White Paper)</td> </tr> </table>	<input type="checkbox"/>	Reforming Local Government: Power to Local People (Full White Paper)	<input type="checkbox"/>	Reforming Local Government: Power to Local People (Summary Version)	<input type="checkbox"/>	Changing Local Government (Young people version of White Paper)
<input type="checkbox"/>	Reforming Local Government: Power to Local People (Full White Paper)						
<input type="checkbox"/>	Reforming Local Government: Power to Local People (Summary Version)						
<input type="checkbox"/>	Changing Local Government (Young people version of White Paper)						
Contact Details							
1.13	Name						
1.14	Postal address						
1.15	Telephone number						
1.16	Email address						
Declaration							
1.17	Consultations are likely to be made public, on the internet or in a report. <b>If you would prefer your response to remain anonymous, please tick here:</b>						
	<input type="checkbox"/>						

## Chapter 2: Balancing the Responsibilities of National and Local Government

Chapter 2 discusses the relationship between the different spheres of government in Wales and how this has developed since devolution in 1999. It clarifies the role of the Welsh Government as providing leadership, setting standards and defining a limited number of national expectations. It also examines the role of Local Government as an agent of change in their local areas, in their relationships with other public services and at the regional level, particularly city regions.

Status of Reformed Authorities						
		Yes	No	Don't Know		
2.1	Do you think all Local Authorities in Wales should be known as Counties?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.2	If no, what is your reasoning to allow other titles for reformed Authorities?					
		Yes	No	Don't Know		
2.3	Do you think Local Authorities should be able to nominate the chair of the Council as a Mayor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
General Power of Competence						
		Yes	No	Don't Know		
2.4	Should Local Authorities in Wales be granted a general power of competence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.5	If yes, should there be any constraints on it?					
Deregulation and Contracting Out Act						
		Yes	No	Don't Know		
2.6	Should the provisions of the Deregulation and Contracting Out Act 1994, as they apply to Local Authorities, be reviewed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.7	Do you have any issues you wish to raise with regards to Deregulation and Contracting Out?					
Local Authority Constitutions						
2.8	Can you identify any specific areas of official procedure which might be changed in order to make the operation of Local Authorities more agile, open and transparent?					
	To what extent do you agree or disagree with the following statement:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
2.9	<i>Local Authorities should set out in plain language their values and the principles they will use to operate in their constitution</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.10	<i>Local Authorities should set out how they intend to build a relationship with their communities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Legislative burdens and review of Local Government Legislation					
To what extent do you agree or disagree with the following statement:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
2.11 <i>There is merit in reviewing the body of legislation relating to Local Government administration with a view to longer term consolidation and simplification</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.12 Do you have any other proposals for extending the powers or functions of Local Government which should be considered?					

### Chapter 3: Renewing Democracy

Chapter 3 sets out the need for greater clarity in the roles and responsibilities for the leader, Cabinet members, elected members and the chief executive officer. It also sets out the benefits of improving diversity of Councillors. We also discuss the need to reduce the cost of politics and management in Local Government and to bring more consistency to the appointment and remuneration of senior officers.

Local Government Elections					
	4 years	5 years	Don't Know		
3.1 What should be the cycle of elections to Local Authorities in Wales?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	Yes	No	Don't Know		
3.2 Should Local Authorities elect Members on a rolling basis, for example by thirds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.3 If yes, how would this best operate in practice?					
Defining the Roles and Responsibilities of the Leader					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.4 <i>Where a candidate is seeking to become the Leader of a Council they should produce a written manifesto setting out what they intend to achieve</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5 <i>Where a candidate is seeking to become the Leader of a Council they should present this manifesto orally to the Council before the election takes place</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.6 <i>The Leader of a Council should produce an annual report setting out the achievements delivered against the manifesto</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	Don't Know		
3.7 Should the roles, responsibilities and duties of Leaders/ Elected Mayors be defined in legislation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.8 Should the Leader be required to set objectives for Cabinet Members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.9 Should the Leader be required to set objectives for the Chief Executive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.10 Should these objectives be made public?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.11 Should the Leader be required to produce a report to full Council on the achievement of these objectives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.12 Are there any other generic duties that should be included in the role of the Leader?					
Defining the Roles and Responsibilities of Cabinet Members					
	Yes	No	Don't Know		
3.13 Should the generic roles, responsibilities and duties of Cabinet Members be defined in legislation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.14 What generic duties should be included in the role of a Cabinet Member?					

To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.15 <i>There should be greater consistency in the number of Cabinet posts in the reformed Local Authorities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.16 Should the maximum number of Cabinet Members serving on a Local Authority (currently 10) be reduced?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.17 What should be the maximum number of Cabinet Members?					
3.18 What is the reason for your suggestion?					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.19 <i>Some Cabinet posts should be considered as 'Deputy' or 'Junior' positions as an opportunity to develop a wider cadre of future political leaders</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.20 <i>'Deputy' or 'Junior' posts should be considered as part time positions to reflect a lower level of responsibility</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.21 Should the public service Academi be asked to look at a development programme to support future political leaders?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.22 What do you think the Public Service Academi development programme look like?					
Defining the Roles and Responsibilities of Elected Members					
3.23 Should the generic roles, responsibilities and duties of Elected Members be defined in legislation?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
What do you think should be included in the role of the Elected Member?	Yes	No	Don't Know		
3.24 Regularly communicating with constituents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.25 Regular surgeries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.26 Participation in Community Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.27 Participation in committees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.28 Attending core training skills sessions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.29 Are there any other aspects you think should be included in the role of the Elected Member?:					
3.30 Should all Elected Members be required to produce an Annual Report?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

<b>Standards Committees</b>					
To what extent do you agree or disagree with the following statement:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.31 <i>The powers of Standards Committees should be enhanced to enable them to consider cases where there is an allegation of a Councillor failing to fulfil their duties satisfactorily</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.32 If you agree, how should their powers be enhanced?					
3.33 What sanctions might there be for Councillors failing to fulfil their duties satisfactorily?					
3.34 Where internal processes have failed to operate satisfactorily should there be a role for an independent body?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.35 If yes, in what circumstances should they be involved?					
3.36 Who do you think would be best placed to undertake this role?					
<b>Recall</b>					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.37 <i>There should be a system by which the public could recall a councillor during their term of office and trigger a by election</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.38 How might this work in practice?					
<b>Equality and Diversity</b>					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.39 <i>Leaders should be placed under a duty to have regard to diversity when appointing their Cabinet</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.40 <i>Where it is not possible to put forward a diverse Cabinet, Leaders should consider co-opting members to provide advice and support decision making</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.41 If you are supportive of co-opting on Cabinets how would this best work in practice?					
3.42 How should Group Leaders be required to consider diversity?					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
3.43 <i>Local Authorities should be placed under a duty to promote engagement with democracy</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.44 <i>Local Authorities should be required to establish Youth Councils</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.45 <i>Devolved public service organisations should be required to release staff to serve as Local Authority Councillors</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



3.46	<i>Devolved public service organisations should be required to release staff to serve as Community Councillors</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.47	<i>All organisations (public, private and third sector) should be encouraged to release staff to serve as Councillors</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Remuneration of Elected Members</b>							
3.48	What issues should be taken into account when reviewing Councillors remuneration?						
<b>Number of Elected Members</b>							
					Yes	No	Don't Know
3.49	Do you agree the number of Elected Members in Wales should be reduced?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.50	What issues should be taken into account when considering the number of Elected Members?						
<b>Term Limits for Elected Members</b>							
Do you agree with the following proposals for term limits:		Yes	No	Alternative limit	Don't Know		
3.51	Elected Members (5 consecutive terms)	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>		
3.52	Cabinet Members (2 consecutive terms)	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>		
3.53	Leaders/ Elected Mayors (2 consecutive terms)	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>		
<b>Electoral Qualifications</b>							
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
3.54	<i>Serving members of Local Authorities should <b>not</b> be able to serve as Assembly Members <u>and</u> continue their position in the Local Authority.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.55	<i>Local Government employees other than those in politically restricted posts should be able to stand for election to their own Authority and only resign if elected</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Role and Responsibilities of Chief Executive</b>							
					Yes	No	Don't Know
3.56	Should the role of Chief Executive Officer for a Local Authority be defined in legislation?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Should the role of Chief Executive Officer include:							
3.57	Responsibility as Head of Paid Service?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.58	Responsibility as Electoral Registration Officer and Returning Officer?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.59	Responsibility for performance and improvement?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Should the role of Chief Executive Officer include a requirement to:							
3.60	Make arrangements to prepare a corporate plan?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.61	Make arrangements to prepare annual self-assessments of corporate and service performance?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.62	Make arrangements for the promotion of democracy within a Local Authority Area?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.63	Commission a peer review every two years and prepare a report for the Council on actions to be taken following the recommendations of the peer review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3.64	Put in place a performance management system for all employees of the Local Authority?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>Term Limits of Chief Executive</b>								
To what extent do you agree or disagree with the following statement:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree		
3.65	<i>Arrangements should be put in place to limit the length of time a Chief Executive can serve</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.66	<i>Arrangements should be put in place to set a term period which would lead to review before re-appointment of a Local Authority Chief Executive could be considered</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Should the Public Service Staff Commission be asked to explore:					Yes	No	Don't Know	
3.67	Arrangements for appointing Chief Executive Officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3.68	The appropriateness of limiting the length of an appointment of a Chief Executive Officer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3.69	The appropriateness of setting a term period which would lead to review before re-appointment could be considered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>Remuneration of Senior Managers</b>								
To what extent do you agree or disagree with the following statement:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree		
3.70	<i>There should be greater consistency in the number of senior officer posts in the reformed Local Authorities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.71	<i>There should be greater consistency in the salaries of senior officer posts (including Chief Executive Officer posts) in the reformed Local Authorities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.72	<i>There should be a national framework to guide salary scales for all chief officer posts</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.73	<i>Local Authorities should be required to consult an independent advisory body on the salaries of all chief officers</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.74	What would be an appropriate mechanism for Local Authorities to consult an independent advisory body on the salaries of all chief officers?							
<b>Senior Officer Appointments</b>								
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree		
3.75	<i>There should be greater consistency in the appointment process of senior officer posts (including Chief Executive posts) in the reformed Local Authorities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
In order of preference, which of the following do you believe to be most appropriate mechanism to support senior officer appointments:					1st	2nd	3rd	4th
3.76	A Public Sector Appointments Commission would ensure all senior officers had the right leadership skills and competencies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

Senior officers would be employed on a common basis and posted to an organisation, individuals would be moved across the public service as demand required (similar to the New Zealand case study).				
3.77 A Public Sector Appointments Commission would ensure all senior officers had the right leadership skills and competencies.  Local Authorities would then make appointments from the pool of approved candidates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.78 A Common Assessment Framework and process to establish a consistent approach to the appointment of senior officers.  Local Authorities would have responsibility for making appointments of senior staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.79 Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.80 What other mechanism do you think should be used to support senior officer appointment?				

## Chapter 4: Connecting with Communities

Chapter 4 sets out our vision for a new relationship between local communities and Local Government in Wales, where larger Authorities are closer to their communities than is the case at present. This includes discussion of the role of Elected Members in leading this. We also discuss the need to raise the ambition of Community Councils so they are better placed to deliver important community services in the future. This means building their capacity and capability, as well as strengthening their governance and engagement with other services and the third sector.

<b>Member Led Community Governance</b>					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.1 <i>Local Authorities should develop, adopt and implement a neighbourhood management or similar approach to engaging with citizens to identify, prioritise and address particular local issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2 <i>An inclusive and participative neighbourhood or area approach, led by Elected Members, is a model of community governance which should be adopted by all Local Authorities in Wales</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.3 <i>Community bodies, the third sector or other public services should have an equal place in neighbourhood area approaches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.4 <i>Local Authorities should have responsibility for how community governance is designed in their area</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.5 <i>Member-led community governance is an essential part of local democracy</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.6 <i>Communities which will be identified under the Well-being of Future Generations (Wales) Bill should form the basis for Local Authorities' Member-led Area Boards in the future</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.7 <i>Neighbourhood area approaches should be able to facilitate place based budgets</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.8 <i>Local Authorities should seek to rationalise the number of partnership arrangements that it works with</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.9 <i>A national framework which requires Local Authorities to put in place a community governance system meeting certain guidelines should be established</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.10 What should be included within a national framework?					
4.11 How best can Elected Members support their communities to do more?					

Review of Community Councils						
				Yes	No	Don't Know
4.12 Should Local Authorities review the role, structure, scope and governance of Community Councils within their areas?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.13 Should this review be completed by 2022?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.14 If no, what do you think the timescale should be for the implementation of community level reform?						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.15 <i>Community Council areas should be merged or enlarged</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competent Community Councils						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.16 <i>Community Councils should be subject to competency tests in return for greater rights and responsibilities</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.17 <i>Only 'competent' Community Councils in Wales should be granted a general power of competence</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.18 If Community Councils in Wales are granted a general power of competence, what should be the constraints on it?						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.19 <i>Community Councils should be subject to a Democracy test: at least two-thirds of the Councillors on a Community Council have been declared elected at either an ordinary election or a by-election</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.20 <i>Capability test: the Community Council must employ a clerk with relevant professional qualifications</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.21 <i>Capacity test: the Community Council has a minimum annual budget of at least £200,000</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.22 <i>Governance test: the Community Council has implemented a sound system of financial management and internal control in line with statutory requirements, and meets certain other criteria such as having a website on which it publishes agendas, minutes and accounts and being contactable by email.</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.23 Are there any other 'competency' tests that you believe would be relevant?						

				Yes	No	Don't Know
4.24	Should competent Community Councils be required to pass a motion to this effect and notify their Local Authority?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.25	Should competent Community Councils be required to be required to continue to demonstrate 'competence' to their Local Authority?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.26	Should Local Authorities be able to revoke a competent Community Councils status if they are not satisfied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.27	<i>Governance and transparency arrangements should apply to Community Councils</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.28	<i>The public should have a right to attend, speak at and record meetings of their Community Council</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.29	<i>The Chair of the Community Council should be required to publish an annual report, which could also incorporate the reporting requirement proposed in the Well-being of Future Generations (Wales) Bill</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.30	<i>The Chair of the Community Council should be required to set performance objectives for the clerk of the Community Council</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.31	<i>The legislative framework governing community polls should be reviewed</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Electoral Qualifications</b>						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
4.32	<i>Serving members of Local Authorities should be able to become a member on a Community Council <u>and</u> continue their position in the Local Authority</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.33	<i>Serving members of a Community Council should only be able to be a member of <u>one</u> Community Council</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Chapter 5: Power to Local Communities

Chapter 5 sets out the way in which communities can engage Local Authorities in joint endeavour and how people can protect land and property of community value for the future. We intend to achieve this by giving community bodies a number of rights which they can exercise in relation to services and assets.

Community Bodies						
5.1 Do you agree Community Bodies should be subject to a competency test before they could take a more active role in delivering services or purchasing assets?				Yes	No	Don't Know
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent do you agree or disagree with the following statements: <i>Community bodies would need to demonstrate:</i>		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
5.2 <i>Appropriate standards of governance</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3 <i>Appropriate standards of financial management</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.4 <i>Appropriate standards of openness and transparency</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.5 <i>Representative local membership</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.6 Are there any other 'competency' tests that you believe would be relevant?						
Community Participation						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
5.7 <i>Community bodies should be able to request involvement in the development and delivery of local services</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.8 <i>Local Authority should be required to respond to these requests</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.9 What is the role of Elected Members in facilitating requests for community participation?						
Asset Transfer						
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
5.10 <i>Community bodies should be able to initiate the transfer of assets from a Local Authority</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.11 <i>Community bodies should have the right of 'first refusal' of community assets that are on the private market</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.12 What is the role of Elected Members in facilitating requests for community asset transfer?						
				Yes	No	Don't Know
5.13 Local Authorities should be required to establish and maintain a register of community interests?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Chapter 6: Corporate Governance and Improvement

Chapter 6 discusses how Local Authorities might be best supported to improve their corporate capability and capacity. We believe effective leadership is the most important driver for ensuring Local Authorities are able to provide sustainable outcomes for local areas.

Corporate Governance						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
6.1 <i>The proportion of independent members sitting on a Local Authority's Audit Committee should be increased</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.2 <i>The Chair of a Local Authority's Audit Committee should be an independent member</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.3 What proportion of the Audit Committee should be independent?	At least 2 people	1/4 of the Committee	1/3 of the Committee	Other	Don't Know	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>	
6.4 What is the rationale for your answers?						
Self-Assessment and Peer Review						
6.5 Do you agree that responsibility for effective performance and delivery rests with the Local Authority, as does responsibility for service or corporate failure?				Yes	No	Don't Know
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
6.6 <i>Self-assessment is an appropriate mechanism for organisations to use to consider their current levels of capacity and capability</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.7 <i>Peer Review is an appropriate mechanism for organisations to use to challenge this self-assessment</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Self Assessment and peer review should consider:				Yes	No	Don't Know
6.8 Strategic Vision for the Authority				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.9 Corporate planning, including financial management				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.10 Governance arrangements				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.11 Quality and timeliness of management and service information				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.12 Leadership, recruitment, talent development and retention				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.13 Equality and diversity				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.14 Efficiency				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.15 Procurement and the value for money delivered to local communities through third party expenditure				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.16 Engagement with the public, workforce and partners				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.17 Responding to demographic, financial and demand pressures				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



6.18 Service innovation				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.19 Effective working arrangements with other Public Services				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
				Yes	No	Don't Know	
6.20 Should a self-assessment be undertaken each year?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.21 Should a peer-review be undertaken biennially (every other year)?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.22 Should the Chief Executive be required to provide a report to the Leader on matters of concern as a result of a self-assessment and peer review?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.23 Should these reports be considered by full Council?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.24 Should these reports be considered by the Local Authority's Audit Committee?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.25 Should these reports be made public?				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.26 How should self-assessment and peer assessment be implemented most appropriately to support improvement?							
6.27 How should Local Authorities be supported to build expertise in self-assessment and peer review?							
6.28 How could Welsh Government best support Local Authorities to improve?							
<b>Power to Intervene</b>							
6.29 Do you agree that in some circumstances Ministers should intervene where a Local Authority is showing signs of failure?				Yes	No	Don't Know	
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
To what extent do you agree or disagree with the following statements:			Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
6.30 <i>Commissioning an independent review is the correct mechanism to establish if a Local Authority is in need of support</i>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Which of the following triggers should be used to establish an independent review:				Yes	No	Don't Know	
6.31 The performance of an Authority lagging significantly, or for a sustained period, behind its peers in key areas				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.32 Where there are concerns raised by the Authority itself or its Members				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.33 Where information and intelligence provided by external review bodies identifies concerns				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.34 Where concerns are raised through whistleblowing				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.35 Where there is significant public concern about an issue				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.36 Are there any other issues which you consider to be triggers for a review?							
6.37 Do you agree that the findings from an independent review should be used to prompt Ministerial support and intervention?				Yes	No	Don't Know	
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6.38 How could the Local Government and Support and Intervention Protocol be revised to reflect these proposals?							

**Local Government (Wales) Measure 2009**

6.39 What elements of Part 1 of the 2009 Measure which should be restated within this new system?

6.40 Could these elements be built upon?

## Chapter 7: Performance in Local Government

Chapter 7 discusses the importance of information to deliver better outcomes for local areas. It does not discuss specific measures, but instead sets out how performance information can be used to best effect by the Local Authority, its scrutiny committees, the public, external review bodies and other interested stakeholders. Key to this is effective corporate planning which should use information and data to inform decisions and policy development.

Corporate Planning						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
7.1 <i>Local Authorities should be required to produce a Corporate Plan</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Should the following categories be included within a Corporate Plan:				Yes	No	Don't Know
7.2 Strategic population outcomes for the area, as agreed in the local well-being plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.3 Corporate priorities for service delivery and improvement, including the Welsh language standards, and the steps to achieve the objectives in the local well-being plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.4 Financial management plans, including medium-term financial planning, corporate procurement strategies and asset management plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.5 Workforce plans, including the strategic equalities plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.6 The risk register	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.7 Existing service performance and benchmarking data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.8 Public engagement strategy, including in relation to setting of annual budgets and council tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.9 Planned performance levels for the short, medium and long term	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.10 An Annual Report setting out achievements and performance outcomes of the previous year, which could also be used discharge the Local Authority's proposed duty under the Well-being of Future Generations (Wales) Bill to report on how they have delivered their objectives in a manner consistent with the sustainability principle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.11 Are there any other categories that should be included within a Corporate Plan?						
Corporate Plans should include information that is :				Yes	No	Don't Know
7.12 short term				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.13 medium term				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.14 long term				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.15 How would the corporate plan be best presented and used in engaging with the public?						

<b>Single Information Portal</b>						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
7.16 <i>Local Authorities should all produce information on performance levels and outcomes using the same data definitions.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.17 <i>Local Authorities should all produce information on performance levels and outcomes using a consistent format and at the same time to allow for comparison.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.18 <i>A single information portal would be a useful mechanism to provide regular, timely, and comparable information on a Local Authority area and Authorities across Wales to support and challenge performance in an area.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
A single information portal should include information on:				Yes	No	Don't Know
7.19 Standardised performance data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.20 Complaints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.21 Reports from audit, inspection and regulation bodies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.22 Self-assessment and peer review reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.23 Information on upcoming inspections and audits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.24 Other (Please specify)						
7.25 In addition to information on performance, is there any other information that should be included on a single information portal?						
<b>Minimum Performance Outcomes</b>						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
7.26 <i>As part of a future performance regime the setting of minimum performance outcomes or standards should be considered</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.27 <i>There should be consequences for Local Authorities that fail to meet minimum Standards</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.28 If you agree, what consequences should there be for Local Authorities that fail to meet minimum standards?						
7.29 Should financial penalties be used as an incentive for performance outcomes or standards?				Yes	No	Don't Know
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Digital Councils</b>						
7.30 How should Local Authorities be encouraged to make greater use of digital channels and social media?						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	

7.31 <i>Local Authorities should decide whether members of the public can record Council meetings</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.32 <i>The public have a right to report live from any Council proceedings, through written or electronic media</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.33 <i>Local Authorities should make arrangements to allow the public to make their views known on agendas of the full Council, the Executive of Committees in advance of meetings</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Complaints</b>						
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	
7.34 <i>Local Authorities should have an online, as well as paper based, complaints process</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.35 <i>Local Authorities are already required to report on complaints made with regards to social services, they should be required to report on all complaints made about their services</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.36 Is an Authority's Audit Committee best placed to consider reports on complaints (including data on number of complaints received, the timeliness of their resolution, etc)?				Yes	No	Don't Know
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.37 If no, who would be best placed to consider such a report?						

## Chapter 8: Strengthening the Role of Review

Chapter 8 discusses the important role of internal and external review in supporting Local Authorities to deliver better outcomes for local areas. We believe the internal and external review processes do not currently work together well enough. The Chapter discusses how we will strengthen internal scrutiny to ensure it has a greater impact on Local Authority decision making. We also discuss the benefits of sharing information between the different external review bodies and with internal scrutiny. The Chapter also discusses how external review bodies should work together more.

Democratic Services						
				Yes	No	Don't Know
8.1	Do you agree that the Head of Democratic Services should be a Chief Officer role?			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Should the requirement preventing the Monitoring Officer from also being the Head of Democratic Services be removed?			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.3	How might we strengthen the independence of the Democratic Services function from the leadership of the Local Authority?					
Planning for scrutiny						
				Yes	No	Don't Know
8.4	Is it appropriate to put in place a system of "key decisions" in Wales?			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.5	If introduced, how far in advance should the Executive be required to set out "key decisions"?	3 months	4 months	6 months	Other	Don't Know
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>
To what extent do you agree or disagree with the following statements:		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
8.6	<i>Scrutiny Committees should be required to establish short, medium and long term scrutiny plans</i>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.7	<i>Scrutiny Committees should be required to set out who they will engage with as part of their scrutiny plans</i>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.8	<i>Scrutiny Committees should be required publish their scrutiny plans</i>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Yes	No	Don't Know
8.9	Should co-opted members on Scrutiny Committees be allowed to vote?			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.10	What is your reason for this answer?					
8.11	If yes, what circumstances would voting take place?					

Local Public Accounts Committees					
	Yes	No	Don't Know		
8.12 Should Local Public Accounts Committees be established in Wales?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.13 How might a Local Public Accounts Committee operate in practice?					
Giving communities a voice in scrutiny					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
8.14 <i>Scrutiny Committees calls for evidence should be directed to relevant local community based representative bodies</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.15 <i>Individuals and representative bodies should be able to petition scrutiny committees</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.16 How should a scrutiny committee be required to consider and respond to petitions?					
8.17 Should Local Authorities establish a 'public question time' where members of the public would be given the opportunity to raise issues with the Leader of the Council?	Yes	No	Don't Know		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Regional scrutiny arrangements					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
8.18 <i>Where a regional delivery mechanism is established , for example through joint commissioning, a joint scrutiny committee must be established</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.19 How would this regional scrutiny committee model interact with local scrutiny?					
Strengthening links between External and Internal review					
	Yes	No	Don't Know		
8.20 Should the audit, inspection and regulation bodies be required to share their reports with relevant Audit or Scrutiny Committees of a Local Authority?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.21 Should the relevant Audit or Scrutiny Committee of a Local Authority be required to scrutinise the findings from audit, inspection and regulation reports?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.22 Should the audit, inspection and regulation bodies be required to appear before relevant Audit or Scrutiny Committees of a Local Authority to present their finding when requested to do so?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.23 How else could links between external and internal review be strengthened?					
Strengthening links between external review					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
8.24 <i>The audit, inspection and regulation bodies should be required to come together to plan a joint timetable of work with regards to Local Authorities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.25 <i>This joint timetable should be published on the single information portal when established</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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8.26 <i>The audit, inspection and regulation bodies should be required to come together to produce a 'whole system' assessment of each Local Authority</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.27 <i>The audit, inspection and regulation bodies should be required to come together to produce an assessment of the overall health of Local Government</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.28 If introduced, how often should a 'whole system' assessment of each Local Authority be undertaken?	Every year	Every 2 years	Other	Don't Know	
	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>	
8.29 How should this 'whole system' assessment of Local Authorities be developed?					
8.30 If introduced, how often should an assessment of the health of Local Government be produced?	Every year	Every 2 years	Other	Don't Know	
	<input type="checkbox"/>	<input type="checkbox"/>	Please specify	<input type="checkbox"/>	
8.31 How should this assessment of the health of Local Government be developed?					
<b>External Review Framework</b>					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
<i>The purpose of external review is:</i>					
8.32 <i>Protecting the interests of citizens by holding the use of public resources to account and by rigorously telling the story of how citizens experience services.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.33 <i>Contributing to the wider improvement framework, within organisations, the Welsh Government and wider public sector.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.34 Are there any other things you would consider to be part of the purpose of external review?					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
<i>The core functions of external review are:</i>					
8.35 <i>Assessing compliance with governance, financial stewardship and probity standards and regulations</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.36 <i>Assuring the quality and cost effectiveness of service provision</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.37 <i>Public reporting on the stewardship of public resources, service delivery against standards and the adherence to regulations</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.38 <i>Contributing to improvement including by encouraging self-improvement, acting upon critical reports and encouraging wider sectoral support</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.39 <i>Identifying, acting upon and reporting early signs of 'failure' within a service or an organisation</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



8.40 <i>Informing policy and practice, beyond individual organisations.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.41 Are there any issues or barriers which would prevent external review bodies performing these functions?					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
<i>The key attributes of external review are:</i>					
8.42 <i>Proportionality: proportionate to the risk, potential for improvement, likely benefit and interests of citizens. It applies in terms of deciding whether to use external review and in deciding its nature, scope and duration</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.43 <i>Independence: it must not be constrained by any party in reaching its conclusions and publishing its findings. It must be free to make judgements about service delivery and report its findings into the public domain, and it must be able to decide how it discharges its responsibilities once its focus has been agreed</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.44 <i>Accountability: external review must demonstrate and report on the impact of its activities. Assessments and findings must be accurate, fair and capable of being defended</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.45 <i>Collaboration: external review must collaborate in the interests of greater local impact, greater cost effectiveness and to reduce the burden on those being reviewed</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.46 <i>Value for money: external review should be able to demonstrate it delivers benefits commensurate with its cost</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.47 <i>Transparency: external review must be transparent in all its activities, its focus, decision making criteria, business processes, assessments and reporting. Reports must be clear, independent and consistent</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.48 <i>Professionalism and competence: external review must be conducted in a way which demonstrates professional integrity and competence. It should be credible, consistent and impartial in all its activities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.49 Are there any issues or barriers which would prevent external review bodies demonstrating these attributes?					

## Chapter 9: Finance

Chapter 9 discusses the way Local Government is funded and how this will need to change to support the reforms outlined in the White Paper in the shorter term, and also the need for a more fundamental review of the system in the longer term.

Our vision					
9.1 What are your views on the proposed phased approach, where we intend to make the necessary changes needed to effect mergers and the reforms set out in this paper in the short term, and consider more fundamental changes to the system in the longer term?					
9.2 What specific features do you think a new financial framework for Local Government should exhibit?					
9.3 What specific aspects of the existing local taxation system could be simplified? (The existing local taxes are council tax and non-domestic rates.)					
General revenue funding – distribution					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
9.4 <i>The distribution of central funding should take account of the relative need of each Local Authority, based on the demographic, social and economic characteristics across Wales</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.5 <i>The distribution of central funding should take account of the ability of each Local Authority to raise income from local taxpayers</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.6 What would you change about the existing funding distribution mechanism to promote greater flexibility?					
9.7 What would you incorporate into a future funding distribution mechanism to promote greater flexibility?					
Financial Governance					
9.8 How do you think Local Authorities could engage more effectively with residents before determining their spending priorities?					
9.9 How do you think information about the results from engagement exercises could be made available to residents?					
9.10 How can we ensure financial plans are robust, strategic and sustainable?					
9.11 What financial information should Local Authorities publish?					
9.12 How can Local Authorities ensure the information is transparent and clear for people to understand?					
Any other comments					
9.13 Are there any other issues we should consider as part of our programme of Reforming Local Government in Wales, for example matters relating to policy, legislation or implementation?					

## 10 Impact Assessments

This section asks questions in relation to the impact assessments which will be undertaken and published in support of the Draft Bill which will be published later in 2015.

The questions are specifically seeking further evidence and information on the issues of Welsh Language, Children and Young People, and Equalities in relation to the proposals set out in the White Paper.

Welsh Language					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
10.1 <i>The proposals set out in this White Paper will generally support the Welsh Government's strategy for the Welsh Language – laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.2 <i>The proposals set out in Chapter 2 (Balancing the responsibilities of National and Local Government) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.3 <i>The proposals set out in Chapter 3 (Renewing Democracy) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.4 <i>The proposals set out in Chapter 4 (Connecting with Communities) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.5 <i>The proposals set out in Chapter 5 (Power to Local Communities) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.6 <i>The proposals set out in Chapter 6 (Corporate Governance and Improvement) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.7 <i>The proposals set out in Chapter 7 (Performance in Local Government) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.8 <i>The proposals set out in Chapter 8 (Strengthening the Role of Review) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.9 <i>The proposals set out in Chapter 9 (Finance) will generally support laith fyw: laith byw?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.10 What do you see as the <b>positive</b> impacts/effects of the proposals set out in this White Paper for the Welsh Language?					
10.11 How might these be further developed?					
10.12 What do you see as the <b>negative</b> impacts/effects of the proposals set out in this White Paper for the Welsh Language?					
10.13 How might these be mitigated against?					

Children and Young People					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
10.14 <i>The proposals set out in this White Paper will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.15 <i>The proposals set out in Chapter 2 (Balancing the responsibilities of National and Local Government) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.16 <i>The proposals set out in Chapter 3 (Renewing Democracy) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.17 <i>The proposals set out in Chapter 4 (Connecting with Communities) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.18 <i>The proposals set out in Chapter 5 (Power to Local Communities) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.19 <i>The proposals set out in Chapter 6 (Corporate Governance and Improvement) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.20 <i>The proposals set out in Chapter 7 (Performance in Local Government) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.21 <i>The proposals set out in Chapter 8 (Strengthening the Role of Review) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.22 <i>The proposals set out in Chapter 9 (Finance) will generally have a positive impact on children, young people and their families</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.23 What do you see as the <b>positive</b> impacts/effects of the proposals set out in this White Paper for children, young people and their families?					
10.24 How might these be further developed?					
10.25 What do you see as the <b>negative</b> impacts/effects of the proposals set out in this White Paper for children, young people and their families?					
10.26 How might these be mitigated against?					

Equalities					
Equalities in this context refers to groups with protected characteristics under the Equality Act 2010: Age; disability; gender reassignment; marriage or civil partnership (in employment only); pregnancy and maternity; race; religion or belief; sex; and sexual orientation.					
To what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
10.27 <i>The proposals set out in this White Paper will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.28 <i>The proposals set out in Chapter 2 (Balancing the responsibilities of National and Local Government) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.29 <i>The proposals set out in Chapter 3 (Renewing Democracy) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.30 <i>The proposals set out in Chapter 4 (Connecting with Communities) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.31 <i>The proposals set out in Chapter 5 (Power to Local Communities) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.32 <i>The proposals set out in Chapter 6 (Corporate Governance and Improvement) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.33 <i>The proposals set out in Chapter 7 (Performance in Local Government) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.34 <i>The proposals set out in Chapter 8 (Strengthening the Role of Review) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.35 <i>The proposals set out in Chapter 9 (Finance) will generally have a positive impact on equalities issues</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.36 What do you see as the <b>positive</b> impacts/effects of the proposals set out in this White Paper on equalities issues?					
10.37 How might these be further developed?					
10.38 What do you see as the <b>negative</b> impacts/effects of the proposals set out in this White Paper on equalities issues?					
10.39 How might these be mitigated against?					

Other Issues
Are there any proposals set out in the White Paper that have particular issues with regards to the following areas:
10.40 Privacy <i>[how personal information, related to groups or individuals, is collected, stored, protected, shared and managed as a result of policy development and delivery]</i>
10.41 Rurality <i>[how the needs of the people who live, work, socialise and do business in rural areas are objectively considered in policy development and delivery]</i>
10.42 Health <i>[how the health and wellbeing of a population may be affected by a proposed action]</i>
10.43 Biodiversity and Habitat Regulations <i>[how biodiversity might be conserved and enhanced to halt the loss of habitats and species, and to take action to restore and enhance them by a proposed action]</i>
10.44 Climate Change <i>[how proposed actions will contribute to reducing emissions by 3% in devolved areas.]</i>
10.45 Environmental Impact Assessment <i>[how protection for land with special environmental, historic or cultural importance may be affected by a proposed action]</i>
10.46 Strategic Environmental Assessment <i>[how environmental issues are considered as part of proposed action]</i>

**Report To:** Corporate Governance Committee

**Date of Meeting:** 25<sup>th</sup> March 2015

**Lead Member / Officer:** Head of Finance & Assets

**Report Author:** Chief Accountant

**Title:** 2015 Audit Plan Denbighshire County Council

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

A report entitled '*2015 Audit Plan – Denbighshire County Council*' has been prepared by the Wales Audit Office (WAO) and is attached. The report sets out the planned programme of work for both the WAO's financial audit performance audit programme. The report also matters such as the fee for the work, details in respect of the audit team and the timetable for the work.

## **2. What are the reasons for making this report?**

The external auditors are required to prepare and present this report in order to discharge their requirements under auditing standards and proper audit practices. The report is provided for information.

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

It is recommended that the Committee consider the content of the WAO report. WAO representatives will attend the meeting to answer questions in relation to the report.

## **4. Report details**

### **2015 Audit Plan – Denbighshire County Council**

The WAO report provides the Council with an outline of the financial audit and performance audit work programme. The financial audit programme covers their work in respect of the 2014-15 financial statements. It also provides information on the audit approach including the key audit risks that have been identified during the initial planning process and the actions proposed to address them. The financial audit work on these risk areas will be used to inform the audit opinion on the financial statements.

The performance audit work programme covers their work in respect of the Local Government Measure. Both financial and performance audit work also reviews the arrangements put in place by the Council to secure economy, efficiency and effectiveness in its use of resources.

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

The audit service is a statutory provision. The Appointed Auditor, under the Public Audit (Wales) Act 2004 is required to examine and certify the financial statements of the Council. The Appointed Auditor is also required to satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

The fees for work undertaken by the WAO in respect of the financial and performance audit work programme are included in the report.

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

Not applicable to the recommendations of this report.

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

The broad content of the report has been discussed with the Head of Finance & Assets and senior members of the Finance Department.

**9. Chief Finance Officer Statement**

The annual audit is a statutory provision. The fees are an existing budget commitment for the authority.

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

The audit process should highlight any significant risks and the management response to addressing or minimising the risk or impact.

**11. Power to make the Decision**

Section 151 of the Local Government Act 1972 requires that the council has proper financial management arrangements in place. The Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the council and must be satisfied that the accounts have been completed in compliance with the Accounts and Audit (Wales) Regulations 2005.





## 2015 Audit Plan

# Denbighshire County Council

**Issued:** March 2015

**Document reference:** 186A2015

# Status of document

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This document has been prepared for the internal use of Denbighshire County Council as part of work performed/to be performed in accordance with statutory functions.

No responsibility is taken by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

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# 2015 Audit Plan

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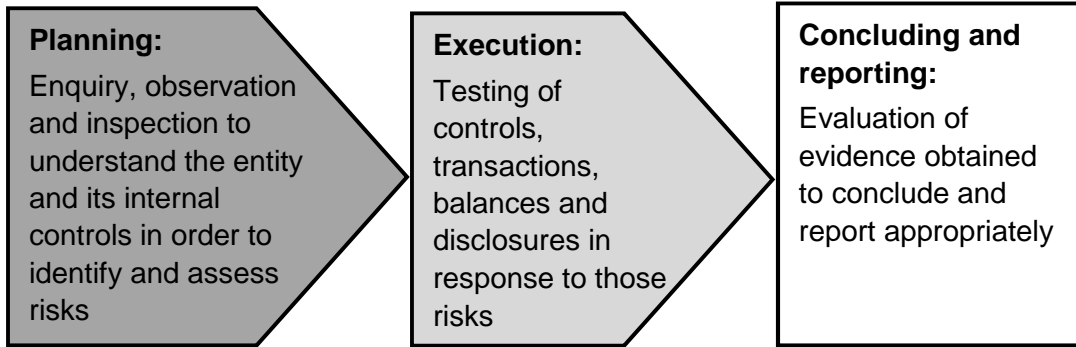
## Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are ‘true and fair’;
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged duties and met the requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements for the year ended 31 March 2015 which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Denbighshire County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	My audit team will: <ul style="list-style-type: none"> <li>test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>review accounting estimates for biases;</li> <li>evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>test the posting of transactions to the general ledger before and after the year-end to ensure that income and expenditure are correctly recorded in the appropriate year of account.</li> </ul>
Risk of material misstatement in the financial statements arising from the revaluation of assets.	We will assess the revaluation ensuring that the revaluation has been conducted in line with accounting policies and that it has been, in material respects, accurately reflected in the financial statements.
I have identified a number of disclosures as being material by nature. These include the disclosure of Related Parties, Remuneration note and Members' Allowances.	We will review: <ul style="list-style-type: none"> <li>the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information.</li> </ul>

Financial audit risk	Proposed audit response
Significant transactions and transactions which involve accounting estimates.	<p>We will continue to hold discussions with the Council to assess whether any significant transactions have been incurred during the financial audit year and design appropriate audit responses to assess any risks.</p> <p>We will review documentation held to support estimates derived and judgements made, and refer to papers provided in support of them.</p>
As part of my 2013-14 audit work, I identified instances where income and expenditure were double counted within the Consolidated Income and Expenditure Account.	We will review the updated arrangements in respect of internal recharges and design appropriate audit procedures to ensure that internal recharges are correctly accounted for.
Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.	<p>On receipt of the 2014-15 draft financial statements in June 2015, we will undertake a review of the statements and update our risk assessment accordingly. We will design audit testing programmes to focus our work on material balances and transactions and any additional financial statement risks that arise following our review of the draft financial statements.</p>

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Corporate Governance Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- My fees for my financial audit work are set out in **Exhibit 6**. My fees are based on the following assumptions:
  - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

- 
12. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support the preparation of Whole of Government Accounts.

## Certification of grant claims and returns

13. I have been requested to undertake certification work on the Council's grant claims and returns. In 2014-15, I expect to audit between 15 and 20 claims, a number of which are complex, namely the Housing Benefits Subsidy claim and the Housing Revenue Account Subsidy claim.
14. An estimate of my audit fee is set out in [Exhibit 6](#).

## Overall issues identified

15. [Exhibit 3](#) summarises the key issues I identified when undertaking grant certification work in 2013-14.

### Exhibit 3: Overall issues relating to grant claim and return certification

#### Qualified grant claims and returns qualified in 2013-14

In 2013-14, we audited 18 claims and returns of which three were qualified. The key issue resulting in qualifications was that the claim forms were not completed in accordance with grant claim instructions.

#### Effectiveness of grant co-ordination arrangements

Whilst there is no central grant co-ordination arrangement within the Council, the delegated arrangements for the preparation and certification of claims and returns are generally well managed and working effectively.

## Issues related to specific grant claims and returns

16. In addition to the overall issues identified above, I will issue a separate report, 'Certification of Grants and Returns 2013-14' in April 2015, which will set out the key issues I have identified relating to individual grant claims and returns.

## Other work undertaken

17. I am also responsible for the audit of the Joint Committee in respect of the Area of Outstanding Natural Beauty (AONB). The Council is the lead authority. Our fee for this work has been included within [Exhibit 6](#).

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## Performance audit

18. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
19. I am also required under the Measure to undertake a corporate assessment at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.
20. I set out in this section the 12-month programme of performance audit work to be undertaken at the Council. The content of the programme has been determined by a consideration of the risks and challenges facing the Council, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including the Council's own mechanisms for review and evaluation.
21. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy ([www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016](http://www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016)).



Exhibit 4: Components of my performance audit work



22. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p><b>‘Improvement plan’ audit</b> Audit of discharge of duty to publish an improvement plan.</p> <p><b>‘Assessment of performance’ audit</b> Audit of discharge of duty to publish an assessment of performance.</p> <p><b>Financial management review</b> Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on the reserves position, policy and use of reserves.</p> <p><b>Governance review</b> Review of scrutiny arrangements with focus on work of scrutiny in monitoring impact of budget cuts.</p> <p><b>Performance management review</b> Study across North Wales on benchmarking social services costs against performance. This will include CSSIW involvement.</p> <p><b>Locally determined review(s)</b></p> <ul style="list-style-type: none"> <li>• review of the Council’s approach to alternative service providers; and</li> <li>• continuation of attendance at annual Service Challenge Reviews.</li> </ul>

Specific projects	
<b>Follow-up work</b>	<p>I will maintain a focus on assessing the progress that has been made in implementing recommendations from my previous work. As part of this work, I will seek assurance that the Council has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee.</p> <p>I intend to undertake specific follow-up work on:</p> <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Affordable Housing</li> <li>• Economy and Regeneration</li> </ul>
<b>Local government studies</b>	To be confirmed.
<b>Good practice</b>	In line with my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.

23. The performance audit projects included in last year’s Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

## Fee, audit team and timetable

### Fee

24. Your estimated fee for 2015 is set out in [Exhibit 6](#). There has been no change to our audit fee this year for both the financial audit work and performance audit work. However, we have included an additional fee for our work in respect of the joint committee.

Exhibit 6: Audit fee

Audit area	Proposed fee (£)	Actual fee last year (£)
<b>Financial audit work<sup>1</sup></b>	£178,264	£178,264
<b>Performance audit work:<sup>2</sup></b>		
• Improvement audit and assessment work and follow-up	£93,882	£93,882
Performance audit work total	£93,882	£93,882
<b>Total fee</b>	<b>£272,146</b>	<b>£272,146</b>
<b>Grant certification work<sup>3</sup></b>	£75,000 to £80,000	£89,658
<b>Other financial audit work<sup>4</sup></b>	£1,134	Nil

Notes:

<sup>1</sup> Payable November 2014 to October 2015.

<sup>2</sup> Payable April 2015 to March 2016.

<sup>3</sup> Payable as work is undertaken.

<sup>4</sup> Payable November 2014 to October 2015 (audit work in respect of the AONB Joint Committee).

25. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
26. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: [www.wao.gov.uk/about-us/fee-scales-and-fee-setting](http://www.wao.gov.uk/about-us/fee-scales-and-fee-setting).

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## Audit team

27. The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

### Exhibit 7: My team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Lead – Financial Audit	02920 320 500	<a href="mailto:Derwyn.Owen@wao.gov.uk">Derwyn.Owen@wao.gov.uk</a>
Jane Holownia	Engagement Lead – Performance Audit	02920 320500	<a href="mailto:Jane.Holownia@wao.gov.uk">Jane.Holownia@wao.gov.uk</a>
Anthony Veale	Financial Audit Manager	02920 320500	<a href="mailto:Anthony.veale@wao.gov.uk">Anthony.veale@wao.gov.uk</a>
Gareth Evans	Financial Audit Team Leader	02920 320500	<a href="mailto:Gareth.Evans@wao.gov.uk">Gareth.Evans@wao.gov.uk</a>
Huw Lloyd Jones	Performance Audit Manager	07813 822017	<a href="mailto:Huw.LloydJones@wao.gov.uk">Huw.LloydJones@wao.gov.uk</a>
Gwilym Bury	Performance Audit Lead	02920 320500	<a href="mailto:Gwilym.Bury@wao.gov.uk">Gwilym.Bury@wao.gov.uk</a>

28. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

## Timetable

29. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

### Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
<b>2015 Audit Plan</b>	January 2014 to February 2015	March 2015
<b>Financial accounts work:</b> <ul style="list-style-type: none"><li>Audit of Financial Statements Report</li><li>Opinion on Financial Statements</li></ul>	February to September 2015	September 2015 September 2015
Performance work	April to December 2015	April to December 2015

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Planned output	Work undertaken	Report finalised
Annual Improvement Report	April to December 2015	March 2016
2016 Audit Plan	October to December 2015	February 2016

*\* Subject to timely clearance of draft findings with the Council.*

# Appendix 1

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## Respective responsibilities

### Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which include an opinion on:

- Their 'truth and fairness', providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

- 
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

## Appendix 2

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### Performance work in last year's audit outline still in progress

Performance audit project	Status
Local Government Study: <ul style="list-style-type: none"><li>• Joined up working to address Health and Social Care demand – Independence of Older People.</li></ul>	Fieldwork started but not yet completed at all sites.
Local Government Study: <ul style="list-style-type: none"><li>• Delivering with Less. Leisure Services</li></ul>	Fieldwork started but not yet completed at all sites.



# Appendix 3

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## National value-for-money studies

Denbighshire County Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales <sup>1</sup>	To be confirmed
Wales Life Sciences Investment Fund <sup>2</sup>	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

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<sup>1</sup> While in clearance, the timescale for publication is uncertain for reasons specific to the project.

<sup>2</sup> While in clearance, the timescale for publication is uncertain for reasons specific to the project.

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Topic	Anticipated publication timeframe
Early intervention and public behaviour change <sup>3</sup>	To be confirmed
Welsh Government interventions in local government <sup>4</sup>	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

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<sup>3</sup> In the short term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

<sup>4</sup> Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales and to take into account any wider implications arising from the local government reform programme.



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<b>Report To:</b>	<b>Corporate Governance Committee</b>
<b>Date of Meeting:</b>	<b>25 March 2015</b>
<b>Lead Member / Officer:</b>	<b>Barbara Smith – Lead Member for Modernising &amp; Performance Ivan Butler – Head of Internal Audit</b>
<b>Report Author:</b>	<b>Ivan Butler – Head of Internal Audit</b>
<b>Title:</b>	<b>Governance Improvement Plan &amp; Draft ‘Annual Governance Statement 2014/15</b>

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

This report provides an update on the Council’s Governance Improvement Plan arising from the Council’s 2013/14 ‘annual governance statement’ - *‘Delivering good governance and continuous improvement’*. It also presents a first consultation with the Committee on the self-assessment report on the Council’s governance and improvement arrangements for 2014/15.

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

This report provides information to the Committee on progress being made with implementation of the various actions included in last year’s Governance Improvement Plan to ensure that the Council has robust and effective governance arrangements in place.

It also provides the Committee with the opportunity to comment on the first draft of this year’s ‘annual governance statement’.

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

- The Committee reviews and comments on progress on last year’s Governance Improvement Plan (Appendix 1)
- The Committee reviews and comments on the draft ‘annual governance statement’ for 2014/15 (Appendix 2)

## **4. Report details.**

In 2013/14, the traditional ‘annual governance statement’ was replaced with a document entitled *‘Delivering good governance and continuous improvement’*. This document provided a transparent and balanced self-assessment of the Council’s governance arrangements, highlighting any significant governance weaknesses and other areas for improvement.

The improvement areas were included in a Governance Improvement Plan that also provided proposed actions to address the weaknesses, officers responsible for the actions, and timescales. This report provides the latest update on progress with the Governance Improvement Plan included as Appendix 1.

Appendix 2 provides the first consultation draft on the 2014/15 *'Delivering good governance and continuous improvement'* report that will include any areas from last year's Governance Improvement Plan that remain outstanding. The Committee should note that this is a very early draft that is still a work in progress and needs to be discussed further, particularly with Senior Leadership Team. The agreed final version will be signed by the CEO and Leader by 30 June 2015 and presented to this Committee with the Statement of Accounts.

The document in Appendix 3 provides an 'at a glance' view of the direction of travel for areas that have changed since last year's 'annual governance statement'.

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

While the 'annual governance statement' self-assessment does not directly contribute to Corporate Priorities, it provides an assessment and assurance on the delivery of the Corporate Plan, the Council's operational and financial performance, governance arrangements, community engagement etc. that are all directed towards delivering the Corporate Priorities.

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

There are no costs attached to this report and the only impact on services is where the report identifies improvement areas; however, services will already be aware of these and should be building this into their service planning.

#### **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.**

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

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

This is an information report only. The only consultation so far has been with the officers with responsibility for implementing the actions identified within the Governance Improvement Plan and contributing changes to the 'annual governance statement' 2014/15.

#### **9. Chief Finance Officer Statement**

There are no financial implications attached to this report.

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

If the Governance Improvement Plan is not implemented, weaknesses will 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.

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

There is no decision required for this report but there is a requirement under the local Government (Wales) Measure 2011 for the 'audit committee' to oversee the Council's corporate governance arrangements.

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# Governance Improvement Action Plan – Progress Report March 2015

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<b>Significant Governance Issues</b>				
<p>In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to review our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.</p>	<p>We will be implementing new monitoring arrangements during 2014 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.</p> <p>The Head of Internal Audit produced a 'good practice' report in May 2014 that CET will discuss in July 2014 to agree the way forward.</p>	<p>Initial review by Head of Internal Audit, which will lead to further action plan for implementation of new arrangements</p>	<p>Preliminary report by 31 May 2014, with further action plan for implementation of new arrangements to be agreed</p>	<p><b>In progress – new target date 30/06/15</b></p> <p>'Phase 1' report to CET in July 2014 and Corporate Governance Committee in September 2014.</p> <p>CET commissioned Head of Internal Audit to lead 'phase 2', which is development of framework for DCC. Due to changes in Internal Audit, this work will now be carried out by 30 June 2015.</p>
<p>Our Internal Audit service provided a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule.</p> <p>Also in procurement, we are involved in the development of some key projects but the creation of the National Procurement Service has also added to the</p>	<p>There is a separate action plan for dealing with the issues raised in the Internal Audit report.</p> <p>The Council is fundamentally changing significant elements of its procurement. In May 2014, Cabinet approved the merger of Flintshire and Denbighshire procurement teams to create a larger more robust team. It also approved the move towards category management in conjunction with Flintshire and Gwynedd.</p>	<p>Head of Finance &amp; Assets (service now under the Head of Communication, Marketing &amp; Leisure)</p>	<p>As per action plan</p> <p>New team in place July 2014. Move to Category Management to take place up to 2016.</p>	<p><b>In progress – new target date May 2015</b></p> <p>Follow up of IA &amp; WAO Action Plans reported to Corporate Governance Committee on three occasions and is behind schedule. The Committee requested a further update in May 2015.</p> <p><b>Complete – unable to take further</b></p> <p>The new Denbighshire/Flintshire team is in place but the Three Counties Project has ended due to Welsh Government funding changes.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<p>complexity of procurement arrangements and led to a loss of staff to the new organisation, with potential further staffing losses.</p> <p>We are aware that we are entering a critical period in relation to strategic procurement and the major changes that we are making; therefore, we will need to keep this area under regular review to ensure that the identified improvements are implemented and that the strategic programmes of change are successfully delivered.</p>	<p>A training programme has begun with relevant finance staff attending first.</p>		<p>Training programme is underway.</p>	<p><b>In progress</b></p> <p>Training provided for finance staff and school finance managers. Members of staff undertaking procurement activities have been identified and contacted regarding a wide range of procurement training courses being held between February and May 2015.</p>
	<p>The Procurement Strategy is being re-drafted to better link with the Economic Development Strategy. Contract Procedure Rules are overdue but are currently with Legal Services for review.</p>		<p>Strategy due by August 14, as are CPRs</p>	<p><b>In progress - new target date March 2015</b></p> <p>A draft strategy has been developed and issued to services for consultation. The agreed draft will be presented to Corporate Governance Committee in March 2015 for consideration. In the meantime, the Council continues to use the current strategy.</p>
	<p>The E-Sourcing project is due for implementation over the summer, along with Centralised Invoice Registration and improvements to Proactis for purchase order numbers.</p>		<p>Centralised Invoice Registration going live from July 2014.</p>	<p><b>In progress - new target date 31/03/15</b></p> <p>Due to delays, roll-out will now be by 31 March 2015. Highways has expressed an interest in being a pilot to undergo training on the system as a 'first adopter'. This will be followed by Social Care.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<b>Partnership Governance</b>				
<p>We are aware that not all partnerships use the partnership toolkit, so, as part of a comprehensive review of the partnership landscape, we need to review the guidance to ensure that it is user-friendly and effective. This review will also provide a greater knowledge and understanding of partnership activity and develop a better corporate understanding of the challenges of operational partnerships.</p>	<p>Practice-based review of governance toolkit</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>October 2014</p>	<p><b>In progress – new target date 30/06/15</b></p> <p>The review of the toolkit will form part of the Head of Internal Audit’s review of third party and arms-length organisations.</p>
<p>Our partnership governance toolkit provides guidance on defining each partner's role in the partnership, line management responsibilities for staff supporting the partnership and legal status but does not provide clear guidance on the roles of partnership board members. We have already identified the need to review this guidance, as we are aware that it is not always used by partnerships.</p>	<p>Practice-based review of governance Toolkit</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>October 2014</p>	<p><b>In progress – new target date 30/06/15</b></p> <p>The review of the toolkit will form part of the Head of Internal Audit’s review of third party and arms-length organisations.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<b>Constitution</b>				
<p>The Council's main governance guidance is provided in our comprehensive Constitution that clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance, although it needs to be updated to take account of changed role titles and elected member portfolios.</p>	<p>A new Model Constitution has been developed for Wales. The Council's current Constitution will be reviewed in light of the new model and updated to reflect changed job titles and portfolios.</p>	<p>Head of Legal, HR &amp; Democratic Services</p>	<p>Constitution working group to meet by September 2014, with further reports to Corporate Governance Committee and Council. New model to be adopted by 31 December 2014</p>	<p><b>In progress</b></p> <p>Head of Legal, HR &amp; Democratic Services to provide a progress report to Corporate Governance Committee on 25 March 2015.</p>
<p>Our codes of conduct for elected members and employees form part of induction training, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes.</p>	<p>Elected members have been provided with several training sessions on the Code of Conduct and refresher sessions are made available each year. A strategy for maintaining awareness among employees will be developed.</p>	<p>Head of Legal, HR &amp; Democratic Services</p>	<p>Refresher sessions for elected members will be provided before March 2015. An awareness training strategy for employees will be implemented by March 2015</p>	<p><b>In progress</b></p> <p>Code of Conduct refresher training was provided to elected members on 3 February 2015. The awareness raising strategy for employees has not yet been progressed.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<b>Equalities</b>				
<p>We are continuing our work to improve awareness of equalities issues. But Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements.</p>	<p>The Corporate Equalities Group will discuss the Internal Audit report at its July 2014 meeting. At the same meeting, the Group will consider for approval a new e-learning training module on equalities issues. Following approval, this new module will be rolled out.</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>Autumn 2014</p>	<p><b>In progress</b></p> <p>CEG considered the E-learning module in October 2014. It should be rolled out corporately. In response to the Internal Audit report, CEG anticipates that the e-learning will increase awareness of equalities issues across the Council. SLT will provide details of members of staff who are required to complete the e-learning - particularly those members of staff who are deemed as front facing or likely to directly interact with people from/with protected characteristics</p>
<p>Equality Impact Assessments are now mainstreamed into our decision-making process, but we still need to improve the quality of some of these assessments and will be introducing a quality assurance process during 2014.</p>	<p>The Head of Internal Audit will carry out a quality control review of a sample of Equality Impact Assessments during 2014/15 and feed back to Heads of Service to improve the quality of future Assessments.</p>	<p>Head of Internal Audit</p>	<p>Commencing September 2014</p>	<p><b>In progress</b></p> <p>This issue was debated at the Corporate Equalities Group. Alternative quality control ideas are being considered. Performance Scrutiny Committee has been asked to incorporate QA of the equality impact assessments as part of its standing agenda. This is to be confirmed.</p>
<b>Policy Framework</b>				
<p>We have an anti-fraud and corruption policy, although we have not reviewed and updated this since 2006.</p>	<p>This policy has been reviewed and a new draft policy will be presented to Corporate Governance Committee.</p>	<p>Head of Legal &amp; Democratic Services</p>	<p>November 2014</p>	<p><b>In progress</b></p> <p>The draft amended policy was considered by Corporate Governance Committee on 5 November 2014 but is still to be finalised.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<p>Our environmental policy is out of date and we do not have a formal corporate approach to environmental management that would help to demonstrate our values and ethics by committing to ensuring that we help to maintain, enhance and use natural resources sustainably now and in the future.</p>	<p>There are currently no plans to revisit our existing policies; however, sustainability is now a core principle in our community planning and is reflected in Denbighshire's draft Well-being Plan, due for publication in November 2014.</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>November 2014</p>	<p>We have no plans to update the current policy. No further action is planned.</p>
<p><b>Regulations &amp; Standards</b></p>				
<p>We have an independent and objective internal audit service providing assurance across the whole range of DCC's services, including partnerships. The service has not yet carried out the required self-assessment review to ensure that it complies with the new Public Sector Internal Audit Standards but plans to do this early in 2014/15.</p>	<p>Self-assessment review against Public Sector Internal Audit Standards and report outcome to Corporate Governance Committee.</p>	<p>Head of Internal Audit</p>	<p>Review complete by 30 September 2014 and reported to next available committee meeting</p>	<p><b>In progress</b>  Self-assessment completed and an improvement plan developed. This will be included in the Internal Audit Annual Report 2014/15 and reported to Corporate Governance Committee for monitoring.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<p>We have made significant improvements in information governance during the year; however, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy, for example:</p> <ul style="list-style-type: none"> <li>• develop e-learning modules for several areas of training;</li> <li>• improve the policy framework in areas such as email, records management and information security;</li> <li>• digitise catalogues and collections in our archives;</li> <li>• enhance our Publication Scheme and Disclosure Logs;</li> <li>• revise and embed the corporate retention schedule; and</li> <li>• achieve PSN accreditation for 2014.</li> </ul>	<p>We will continue to implement the Information Strategy</p> <p>E-learning on data protection is now in place</p> <p>Other actions on-going</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>Roll out to be completed September 2014</p>	<p><b>In progress</b></p> <p>Corporate Information Manager to provide a separate progress report to Corporate Governance Committee on 25 March 2015.</p>
<b>Elected Members</b>				
<p>Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment highlighted that it had not formed part of this performance monitoring arrangement in recent years.</p>	<p>Head of Internal Audit to work with Chair of Corporate Governance Committee to produce report on the Corporate Governance Committee's performance and effectiveness for 2013-14.</p>	<p>Head of Internal Audit/Chair Corporate Governance Committee</p>	<p>Draft report by 31 July 2014</p>	<p><b>Complete</b></p> <p>Item for discussion at Corporate Governance Committee in September 2014.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<b>Stakeholder Engagement</b>				
Our latest resident survey highlighted that most people do not feel well-informed about the Council's performance and a range of other issues asked in the survey.	We will continue to publish user-friendly performance information on the Council's website.	Head of Business Improvement & Modernisation	On-going	No further action is planned
	The Council's Corporate Communications Strategy Year 2 Action Plan includes various actions that will improve communication with residents to raise more awareness. This Strategy forms part of the team's service plan for 2014/15.	Various	Various timescales but Strategy to be implemented fully by 31 March 2015	<b>Complete</b> Part of Internal Audit review 2014/15 - no issues raised



Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
<p>The value of effective business engagement is only just being recognised, which means that we have a lot more work to do before we see the benefits that result from recent developments. We need to ensure that effective opportunities exist for businesses to provide feedback on the delivery of the Economic and Community Ambition Strategy / Programme and identify what we need to do to make engagement with the Council a valuable activity for businesses. In the longer term, as key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect.</p>	<p>Leader and Corporate Director for Economic and Community Ambition to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council.</p>	<p>Leader &amp; Corporate Director for Community Ambition</p>	<p>Annual</p>	<p><b>Outstanding</b></p> <p>Visits to top 10 businesses have not progressed yet. Priority has been given to supporting the Freedoms and Flexibilities process and reviewing the Economic &amp; Business Development (EBD) team.</p> <p>The review of the EBD team includes creating three roles to allow specific focus on business engagement - one generic role to support business networking and advice signposting, and two lead officer roles focusing respectively on high growth and lower growth potential key businesses.</p> <p>The Economic &amp; Community Ambition Board has requested this to be a priority for 2015, with a plan to be presented to the Board in March 2015. The Board has suggested one business visit per month.</p> <p>One visit was carried out in January 2015, which proved to be very useful, allowing facilitation of contact with relevant council services to allow the business to discuss its plans for growth.</p> <p>The Council also received feedback from a study undertaken by a research fellow on its behalf in which he spoke with eight key businesses, which the Council will now be able to follow up.</p>

Improvement Area	Action	Responsibility	Original Timescale	Progress to Date
	A project to ensure that we are recognised as business-friendly. This will improve our engagement, both on a one to one business basis and also on a collective basis.	Public Protection Manager	Project timescales within Economic & Community Ambition Strategy	<p><b>In progress</b></p> <p>This action now forms a project (Better Business For All) within the Economic &amp; Community Ambition Strategy and is monitored as a project on Verto and by the Economic Ambition Board.</p> <p>It will therefore no longer be reported as part of the action plan to avoid duplication.</p>
	Annual survey of businesses. The results of the first survey are currently being collated and will inform how we work with businesses in future.	Economic & Business Development Manager	Annually in June	<p><b>Complete</b></p> <p>Survey complete and results being analysed for reporting to and discussion at the Economic Ambition Programme Board.</p>
Strategic HR service is working on a major programme to improve performance since being identified as a significant governance issue in last year's Annual Governance Statement. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. There are still concerns over the delivery of the improvement programme.	Internal Audit review to assess progress with improvement. Report to Corporate Governance Committee on outcome of review.	Head of Internal Audit	Review complete by 30 June 2014 and reported to next available committee	<p><b>Complete</b></p> <p>Review completed and reported to Corporate Governance Committee in September 2014.</p>



# **Delivering good governance and continuous improvement**

## **Assessment of the Council's governance and improvement arrangements for 2014-15**

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## Introduction

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### Why do we need an annual assessment of our governance arrangements?

Denbighshire County Council is responsible for ensuring that it has robust governance arrangements in place so that it does the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable way. Good governance is essential to both the Council and the public. It supports the Council in making the right decisions, reduces the likelihood of things going wrong and protects it when problems do occur. It inspires confidence in the public that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.

This document explains and assesses our governance arrangements for 2014-15 and identifies any improvements needed to make the arrangements more robust.

### Self-assessment of our arrangements

Within our annual governance review, we are required to carry out a self-assessment of our arrangements. In the past we have also carried out a corporate self-assessment showing how we achieve continuous improvement, but we now combine these self-assessments in an approach to avoid duplication, as managing and monitoring of performance and improvement is also an important element of good governance. This innovative self-assessment helps us to understand our strengths and weaknesses in relation to the six key principles of good governance that we use in our governance framework:

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#### Focusing on our purpose and on the outcomes for citizens and service users

**Performing effectively in clearly defined functions and roles**

**Promoting values for the whole organisation and demonstrating good governance through our behaviour**

**Taking informed and transparent decisions and managing risk**

**Developing our capacity and capability to be effective**

**Engaging with local people and other stakeholders to ensure robust public accountability**

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## Summary of our governance arrangements

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### Review of effectiveness

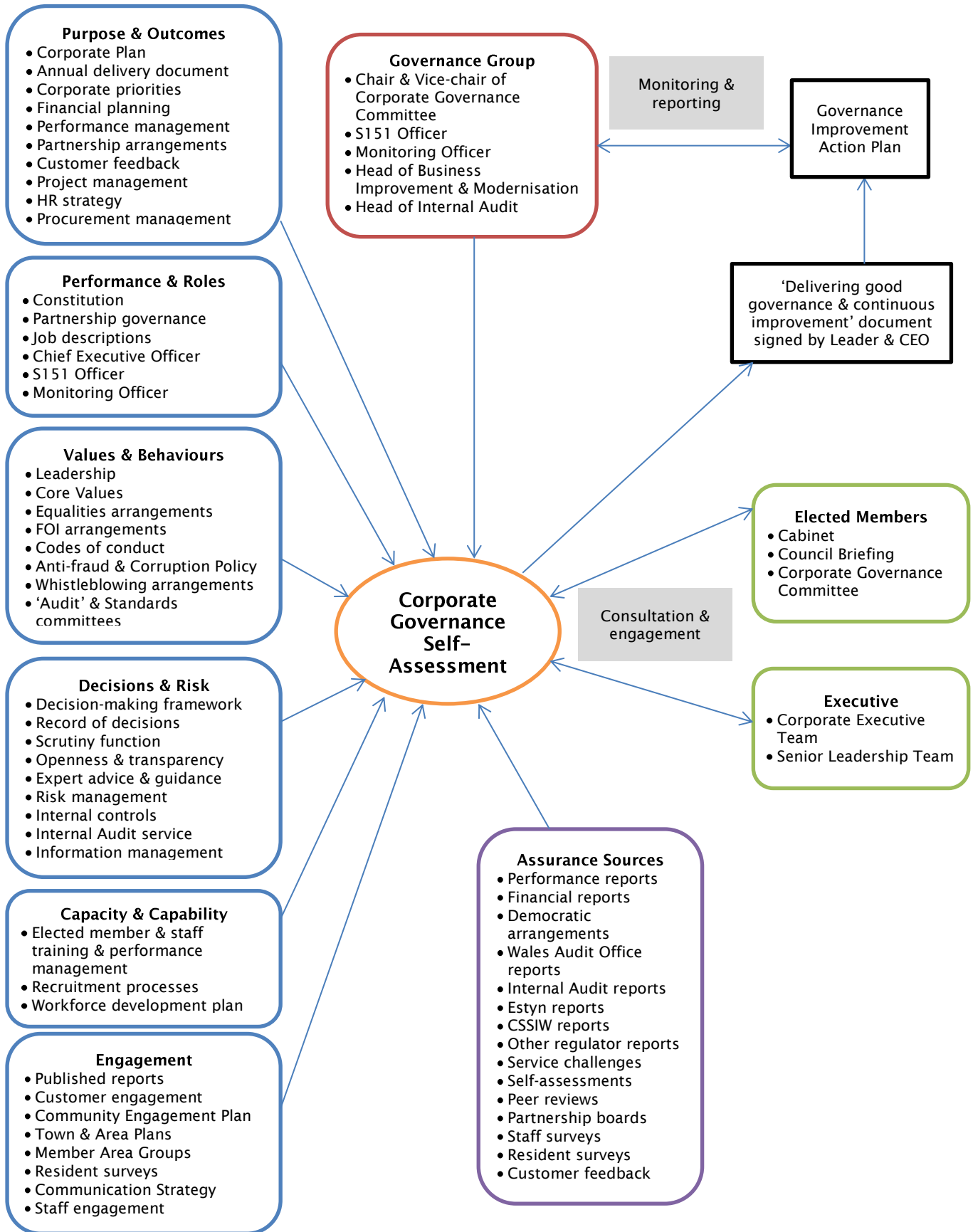
We are required to review the effectiveness of our governance arrangements each year, which includes:

- maintaining an on-going evidence framework showing how we can give assurance on our governance arrangements;
- regularly reviewing the effectiveness of the Council's Constitution;
- reviewing governance arrangements within services delivered on our behalf by partnerships, arms-length organisations etc.;
- having a 'virtual' Governance Group comprising the Chair and Vice-chair of the Corporate Governance Committee, Head of Finance & Assets (S151 Officer), Head of Legal, HR & Democratic Services (Monitoring Officer), Head of Business Improvement & Modernisation, and Head of Internal Audit to monitor governance arrangements, develop our self-assessment and any action plans arising from it;
- consulting widely on our self-assessment with senior management and elected members;
- providing training for elected members to ensure that they fully understand their roles and responsibilities relating to corporate governance; and
- using information from various sources to inform our governance arrangements, for example, service challenges, performance reports, risk management, external regulator reports, the Head of Internal Audit's Annual Report.

**In summary, our self-assessment provides evidence and assurance that the Council has robust governance arrangements in place. Where we have identified areas for improvement, we have an action plan to address them (Appendix 1).**

**We will monitor and report progress on the action plan to the Corporate Governance Committee on a regular basis.**

## Summary of our governance framework



## Focusing on our purpose and on the outcomes for citizens and service users

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### ...we are clear about what we are trying to achieve

Our Corporate Plan 2012-17 clearly shows what we are aiming to achieve and sets out our priorities for the five year period. Each year we develop a Corporate Plan Delivery Document to show what we expect to do in the forthcoming year to support the delivery of our priorities and how we will go about it. The Wales Audit Office Annual Improvement Reports conclude that we are making good progress in delivering our improvement programme, that our corporate performance management arrangements support reliable self-evaluation and that our arrangements to support improvement are good. **(Paragraph to be updated once latest WAO report received)**

We have clearly stated how our corporate priorities link to our medium-term financial plan and have identified financial and staffing resources to support the delivery of our objectives. We sought residents' views on the cuts that we are considering, to engage them more on how these cuts will impact on them and their communities and what can be done to lessen the impact. We recognise that the scale of cuts that we need to make will not be evenly spread across our services, mainly because some services, like schools, must be protected, while other areas are high priority and high risk, such as social services. Others are important statutory functions that we must continue to do, like planning, payroll, financial management and regular performance reporting to Welsh Government and regulators.

While the scale of these cuts will inevitably mean that we have to do 'less with less' we will still continue to provide vital universal services. The difficult budget decisions that we are now having to make are not only about balancing the books for the next two years, but they will also shape local services that will be provided in the future. We are a high performing Council and this will not change, even after these cuts are implemented.

As part of reviewing the way we work, we are reviewing our governance arrangements to ensure that public money is spent wisely and that the public continues to receive good services and value for money. We will be implementing new monitoring arrangements during 2015 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.

We have also reviewed the way we deliver services through our Town and Area Plans during the year to improve clarity around the overarching policy intentions of the Plans and to improve the consistency in how they are developed and delivered. Improvements will also ensure that Plans are more strategic, provide clearer information on anticipated benefits and how impacts will be measured. Cabinet has



endorsed the preparation of revised lists of priority projects and a new process for allocating funding to these projects.

We have a comprehensive partnership governance toolkit that provides guidance to ensure that, for each partnership, there should be a clear statement of the partnership principles, objectives and proposed outcomes. It also includes guidance on measurement of service quality so that customers receive good service, however we deliver our services. We are aware that not all partnerships use the toolkit, so we need to review the guidance to ensure that it is user-friendly and effective. This is a follow-up piece of work from our Partnership Landscape review, which began under the auspices of the Denbighshire Strategic Partnership Board. This review has informed local and national policy by highlighting the complexity of partnership activity in Denbighshire and beyond.

### **...we make sure that service users receive a high-quality service and value for money**

We monitor our performance regularly, take half-yearly reports to Scrutiny and Cabinet meetings and produce an Annual Performance Report to evaluate progress. We are planning to increase reporting to Scrutiny and Cabinet to quarterly to maintain a focus on performance during a period of service reduction.

Denbighshire has maintained its position as the best performing council in Wales for a fourth year according to the Welsh Government's National Strategic Indicators:

- Of the 30 National Strategic Indicators, 16 were in the top quartile
- Above the median, our position has slipped slightly, now ranking second in Wales
- We have seen improvement in 19 indicators
- We performed among the best in Wales in 6 indicators

The Service Performance Challenge uses a variety of reports and a service self-assessment to review performance against the service plan, benchmarking information and a 'need and demand' report, which highlights possible future pressures and changes in the external environment to which the service may need to respond. This process has been highlighted as good practice through the Care and Social Services Inspectorate Wales (CSSIW) recent annual report.

*"Within the council there is keen interest and support from elected members. They play a key role in the exemplary 'service challenge' meetings where they question lead officers about the performance and impact of the council's services."*

The Wales Audit Office provided an unqualified audit report on our financial statements for 2013-14, raising no significant issues or material weaknesses in our internal controls. Our Internal Audit service reviews our key financial systems annually and provided positive reports during the year. However, in 2013/14,

Internal Audit produced a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy was out of date. During 2014/15, Internal Audit has continued to monitor progress on the report's improvement action plan and report it to Corporate Governance Committee. These reviews show that progress with improvement has been slow and several deadlines missed, so procurement remains a significant governance issue later in this document.

The programme and project management methodologies, and the Verto system are working well across the Council, with some real deliverables now being realised. Overall, visibility of our activities is improved through effective and consistent reporting on our projects to Corporate Executive Team (CET) and various committees.

The Verto system has now been developed and extended to incorporate the Council's performance management processes. Forthcoming service business plans are currently being developed using the system. Through the flexibility of the system, we are able to integrate our service business plans with programme and project activities, thus being able to report using key dependencies, such as progress against outcomes or priorities.

## Performing effectively in clearly defined functions & roles

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### ...we are clear about the roles and responsibilities in our organisation

The Council's main governance guidance is provided in our comprehensive Constitution that:

- clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance, although it needs to be updated to take account of changed role titles and elected member portfolios;
- includes a formal scheme of delegation and reserve powers for decision-making; and
- includes the process for holding County Council and Cabinet to account for their decisions and performance.

Our partnership governance toolkit provides guidance on defining each partner's role in the partnership, line management responsibilities for staff supporting the partnership and legal status but does not provide clear guidance on the roles of partnership board members. We have already identified the need to review this guidance, and we will need to promote its use across all partnerships in Denbighshire.

### ...we make sure that we carry out these roles and responsibilities

Our Constitution includes a protocol to ensure that elected members and employees understand each other's roles and that they work effectively together. We have also clearly identified the roles and responsibilities of key officers in the Council:

- Our CEO is responsible and accountable to the organisation for all aspects of operational management.
- Our S151 Officer is responsible for ensuring that appropriate advice is given to the organisation on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.
- Our Monitoring Officer is responsible for ensuring that the organisation follows agreed procedures and complies with all applicable statutes and regulations.

## Promoting values for the whole organisation and demonstrating good governance through our behaviour

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### ...we ensure that our organisational values are put into practice and are effective

We have a set of core values - **Pride, Unity, Respect and Integrity** – that are well-embedded in the organisation and are clearly reflected in our Constitution, Partnership Governance Framework, Financial Regulations, Contract Procedure Rules and employee appraisal process.

Our leadership sets the tone for the organisation by creating a culture of openness, support and respect. We are currently carrying out our latest staff survey, but the previous survey in 2013 reported that 83% of employees felt that the leadership team had a clear vision for the future, compared to only 58% in the 2011 survey. There was also a high level of confidence (84%) in the leadership team. This same level of improved confidence was reflected at service level, with 81% believing that their service had a clear vision for the future and having confidence in their manager.

We continue to develop and enhance our work on equalities and human rights, although the decision to delete the post of Corporate Equality Officer will require services to become more accountable for their work with people with protected characteristics. We continue to work with the North Wales Public Sector Equalities Network, with whom we have a joint Strategic Equality Plan. In addition, we have developed and produced a new e-learning module, which is in the process of being implemented across key customer-facing services.

**Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements. (Paragraph to be updated once latest survey completed).**

### ...we provide leadership by behaving in ways that exemplify high standards of conduct and effective governance

We have various ways in which we demonstrate our core values and high standards of conduct and effective governance, for example:

- we have clear and transparent Freedom of Information arrangements to allow access to information;
- our codes of conduct for elected members and employees form part of induction training, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes;

- we have a register of financial interests and hospitality for elected members and employees to ensure transparency;
- we have a process for elected members to declare interests generally and in relation to specific issues and/or reports at meetings;
- we have a protocol to ensure that elected members and employees treat each other with respect and behave professionally;
- our customer feedback and complaints framework allows the opportunity for customers to comment on the behaviour of elected members and employees;
- we have an anti-fraud and corruption policy dated 2006, but we are in the process of reviewing and updating it;
- we have revised our whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies. The new model constitution has included in it a new whistleblowing policy. The draft, which had previously been consulted upon with unions, will be checked against this and redrafted where necessary for further consultation;
- our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- our Corporate Governance Committee carried out a self-assessment in 2013/14 that confirmed that its terms of reference conform with the Local Government (Wales) Measure 2011;
- following the above self-assessment, the Head of Internal Audit provided training to elected members on their governance responsibilities;
- the Head of Internal Audit's annual report confirmed that we operate an effective system of internal control, governance and risk management; and
- we operate an effective and impartial Standards Committee to uphold good behaviour by elected members.

## Taking informed and transparent decisions and managing risk

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### ...we are rigorous and transparent about how we make decisions

We have a clear decision-making framework to show who can make what decisions and we keep a comprehensive and published record of decisions made. All key decisions include an assessment of financial implications, contribution to corporate priorities, risks and equality impacts, although we are aware that we need to carry out some quality control reviews on equality impact assessments to ensure that they are robust.

We advertise our 'public' meetings in advance so that they are open for public and media attendance, and all of our reports are discussed openly unless they meet strict criteria for confidential discussion.

Our scrutiny function is effective, supported by evidence and data analysis, to challenge decision-makers constructively.

### ...we use good quality information, advice and support

Elected members are provided with clear, concise but comprehensive reports and advice for decision-making that clearly explain the implications of the decision. Reports should not exceed four pages and we use a corporate report template to ensure that all information is included, together with a checklist that has to be completed in all cases to confirm that all information is included in the report before submission.

We have arrangements in place to provide and record proper professional advice on matters that have legal or financial implications well in advance of decision making and at meetings. External advice is obtained where required, particularly in specialist areas.

The Research and Intelligence Team and the Corporate Programme Office have been combined following a service restructure. This new team, in addition to business as usual activities, will focus on key change activities and will begin to develop a strategic platform for management information and reporting, enhancing decision making processes.

### ...we have effective risk management, information management and control systems

We review our Corporate Risk Register formally twice a year, with each Corporate Director considering the risks that they currently manage, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate. This includes identifying changes in legislation affecting Council

services, such as the new Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations Bill. The Corporate Governance Committee monitors risk management arrangements and reviews the Corporate Risk Register.

We have an independent and objective internal audit service providing assurance across the whole range of the Council's services, including partnerships. The Head of Internal Audit's annual report confirmed that we operate a robust system of financial and operational internal controls. During the year, the Head of Internal Audit carried out the required self-assessment review to ensure that the service complies with the new Public Sector Internal Audit Standards. The resulting improvement plan will be reported to Corporate Governance Committee as part of the Annual Internal Audit Report 2014/15 and monitored by the Committee.

We discuss any reports of external regulators at the relevant management and elected member levels and monitor action plans arising from their reviews.

Information management has historically been seen as a significant governance weakness in our Annual Governance Statements following adverse internal and external audit reports. A Corporate Information Team was formed during 2013 to address these weaknesses. Since this time, significant improvements have been made, which has recently resulted in the risk being reduced from amber (major) to yellow (moderate).

Some of the main actions addressed include:

- appointing a Corporate Information Manager to provide strategic leadership in this area;
- providing a corporate approach to information management via the launch of an Information Management Strategy;
- developing a corporate approach to managing information risk through the development and launch of an Information Risk Policy;
- improving competency levels in the Council through the development and launch of a suite of e-learning modules, including Data Protection, Freedom of Information and Document Management;
- achieving Public Sector Network (PSN) accreditation;
- developing a consistent way of handling information security breaches via the development of a policy;
- introducing secure email facilities via Egress;
- appointing an Access to Information Officer to handle the increasing volume of information requests; and
- improving the management of our electronic documents through the implementation of EDRMS (electronic document records management system).

, for example:

- improve arrangements for securely destroying our confidential waste;
- refresh the information security policy framework;
- embed EDRMS into paper-heavy teams by March 2016 (end of project);
- widen access to the county's archive materials via the development of an improved online presence;
- develop an Information Asset Register;
- publish more information to our website to meet our statutory obligations and reduce numbers of information requests; and
- raise further awareness and embed information retention rules into services.

The Council's Information Risk Policy includes a requirement to include specific information in the 'annual governance statement' and to share and discuss this with the Corporate Governance Committee. In May 2014, the Council's Senior Information Risk Officer (SIRO) reported the following to the Corporate Governance Committee for 2013/14:

- There has been no major breach of the Data Protection Act by the Council during the year.
- The SIRO reported two information risk incidents to the Information Commissioner during the year.
- These incidents affected two individuals and the Council took immediate action to address the issues and improve processes. **(This paragraph will be updated with information from the latest SIRO report)**



## Developing our capacity and capability to be effective

**...we make sure that our elected members and employees have the required resources, skills, knowledge and experience they need to perform well**

We have elected member and employee induction programmes to ensure that key information is imparted at an early stage, have rolled out induction and refresher training to services and carried out an 'audit' of recently recruited members of staff to ensure that it is being carried out. It is a much improved process and significantly more inductions are being carried out.

There is a current process in place for appraising the performance of Cabinet members, which has been strengthened by aligning their priorities to the Corporate Plan, which is in response to the CEO's paper on 'Sharpening our Act'.

Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment highlighted that it had not formed part of this performance monitoring arrangement in recent years. During the year, the Committee's chair produced a report that will be presented to Council in line with the Scrutiny annual reports.

Employees receive annual performance appraisals, resulting in training and development plans to help them achieve their objectives and fulfil their roles effectively. **We improved performance in 2013/14, with 89% of eligible employees receiving an annual appraisal. To date for 2014/15, 87% have been completed. (this will be updated before the final version)**

We are trying to modernise the way we work so we can use valuable time and resources better. The Modernisation Board has initiated several projects that create service delivery efficiencies and we have developed a Flexible Working Policy Statement and guidance that sets out how we expect employees to work in the future and also what support we can provide. To improve our efficiency and mobility, we have:

- rolled out new IT equipment;
- upgraded the Local Area Network and Wi-fi to support flexible working;
- continued to review our office accommodation requirements;
- agreed a hot-desk policy;
- continued to roll out EDRMS to more services;
- implemented Central Invoice Registration, which will reduce the number of invoices not paid on time and avoid late payment fines; and
- developed a Customer Service Strategy to show how we will deliver excellent customer service.

## ...we ensure that we can continue to perform effectively during periods of change

Strategic HR Business Partners undertake a workforce planning exercise with each service annually to identify their priorities for the coming 12 months. This year this has included the Freedom and Flexibilities review. This enables HR to understand and prioritise the level and timing of support that services may require. The discussions with services cover service aims and priorities, workforce profile, upcoming challenges and risks, resource and skills gaps and critical posts. This allows HR to develop a Workforce Priority Plan, agreed with the Senior Leadership Team. In addition, the data collected from performance appraisals enables us to identify corporate people development priorities for the coming 12 months.

To help develop potential senior managers of the future, we use Middle Managers conferences to engage them. 'Yr Hwb' cohort for 2014 has now come to an end, and members of the team were involved in a range of key projects, including the Electronic Mailroom Business Case development, the Financial Inclusion Project E-Learning module, Modernisation Programme stakeholder and communication events and also work on Economic and Community Ambition Programme stakeholder events. Directors and Heads of Service provided mentorship for each of the Hwb members.

More of our projects are being delivered from within services, benefitting as a result of the extensive project management training that has been undertaken over the past two years. This has resulted in a reduction of our Corporate Project Management resource, contributing to our resilience to change and our efficiencies.

Our Volunteering Strategy offers a useful starting point for developing a corporate vision for volunteering. We will continue to develop this Strategy through the delivery of the Wellbeing Plan to take into account developments across the county in areas such as time-banking pilots, partnership working, and developing initiatives to support employees to volunteer their time and expertise to benefit their communities.

## Engaging with local people and other stakeholders to ensure robust public accountability

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### ...we take an active and planned approach to dialogue with and accountability to our external regulators

We take a proactive approach to external regulation, for example:

- regular meetings to discuss developments, their work and outcomes;
- involving and consulting them on key decisions that may affect our governance arrangements;
- acting on any improvements that they identify in their reports; and
- presenting their reports to the relevant committees to keep elected members informed.

### ...we engage effectively with the public and other stakeholders

We publish our Annual Statement of Accounts, including this self-assessment of our governance and improvement, on our website and it is open for public inspection and challenge for the designated period. We also publish our Annual Performance Report so that the public can see how well we are performing in the delivery of our Corporate Plan.

Our customer feedback and complaints framework provides the opportunity for customers to comment on our services. We listen to these views when deciding on service planning and improvement.

We have improved our community engagement during the year and are committed to undertaking further initiatives in 2015, for example:

- our Corporate Community Engagement Strategy and Toolkit is on our website and intranet and is a useful resource for all services. The Strategy will become embedded in the engagement philosophy of all services so that minimum standards are adopted. We anticipate that the Strategy and Toolkit will be revised in spring 2015 to ensure that it continues to be 'fit for purpose' and encompasses recent trends in engagement opportunities;
- also being produced in 2015 is Denbighshire's Children and Young People's Participation Strategy, which is a specific guide for all services and partner organisations. The Strategy is a platform to ensure that we involve children and young people in decisions, planning and reviewing the services that might affect them directly (e.g. school policies, youth service provision, public transport, children & family's social services etc.) or indirectly (e.g. highways, housing, waste management etc.);
- undertaking further work to manage our on-line consultation policies and use of on-line survey tools such as 'Survey Monkey';

- ensuring that the ‘National Principles of Public Engagement’ and the ‘Children and Young People’s Participation Standards’ are embedded in the delivery of services
- continuing our close liaison with the 37 city, town & community councils within the county through ‘cluster’ meetings and an annual liaison meeting attended by our Chief Executive, Council Leader and Council Chairman. We will be reviewing our Charter with all councils in 2015;
- we are further developing our engagement with residents and businesses through the use of social media;
- our Armed Forces Covenant Partnership brings together all key agencies involved in ensuring that we meet our commitment to the Armed Forces Covenant, and we have organised a welfare / drop-in session for armed forces personnel and veterans;
- following the devastating floods in the east ward of Rhyl in December 2013, we held several flood ‘drop-in’ sessions with affected residents during 2014 and produced regular welfare and coast protection newsletters;
- we carried out a resident survey in 2013, with over 2000 residents taking part and we reported on this in our last Annual Performance Report. A similar survey will take place in 2015; and
- for many years, volunteers have provided added value and complemented the work of paid staff to enable the Council to deliver better and more effective services. In turn, volunteers also gain positive satisfaction from helping others and gaining new skills and making a contribution to the life of their community.

An extensive engagement and consultation debate took place in 2014 to discuss the Council’s budget proposals in light of the significant savings the Council was expecting to make. The ‘Cutting our Cloth’ budget debate was promoted through press releases and briefings, social media, and promotion in key buildings. This provided the opportunity for residents to submit their contributions in different ways and we received over 822 survey responses

In addition to the budget debate, services carry out individual engagement and consultation, usually on a specific issue, for example on our review of schools provision, and Adult Social Services conducted a Feedback Fortnight on its services. Responses received influence current and future delivery of services.

In delivering Denbighshire’s Single Integrated Plan (Supporting Independence & Resilience: Denbighshire’s Wellbeing Plan 2014-2018) we extensively engaged with the community to establish our vision and priority areas. The Plan places the community at the heart of its philosophy and focuses on having a positive impact for the people of Denbighshire.

The Council is the lead partner in delivering an Engagement Strategy and Action Plan on behalf of the Local Services Board (LSB). A working group, chaired by the

Council has delivered work packages as part of the Strategy's action plan, including the development of a dedicated LSB website and logo

We have completed and initiated several actions that have either changed or will change our engagement with businesses:

- Businesses endorsed the final Economic and Community Ambition Strategy, which set us the challenge of delivering it, including a Consultation Programme. We received positive feedback from the business community to a county wide 'Open for Business' event at the Royal International Pavilion in Llangollen. Businesses and their representatives continue to provide positive feedback and are now engaged in the design and governance of our 'Better Business for All' project.
- Our Contract Procedure Rules now include community benefit clauses that promote the use of local business/labour/goods and supplies in all contracts. These are mandatory for all projects over £2m. We continue to engage with suppliers through a programme of events organised by Business Wales but our new approach to supplier development is currently on hold while the Strategic Procurement Unit reviews its business plan. However, we are actively engaged with the Third Sector to ensure that they have the opportunity to tender.
- Denbighshire's first Annual Business Survey was run during 2014, with 502 businesses taking part through a mixture of face to face, online and telephone engagement. The survey reached many well established small businesses in particular. The survey provided valuable insight into business confidence and satisfaction with a range of business support services offered by the Council and partners. It also provided details of business structure, use of digital media and demand for superfast broadband, as well as demand for a range of support the Council could offer in future. The survey will be an annual event, with the new survey being launched in March 2015. Similarly our Public Protection Team is actively engaging with local businesses as part of its 'Business Friendly Programme'.

We need to ensure that effective opportunities exist for businesses to provide feedback to the Council. As key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect. What is pleasing to see is that the 16 high Priority Projects in the Economic and Community Ambition Programme all offer potential for businesses to become engaged at the appropriate time, and that some of them are already actively doing this.

The Leader and Corporate Director for Economic and Community Ambition had planned to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council. These visits have not progressed yet as we have given priority

to supporting the Freedoms and Flexibilities budget efficiency process and reviewing the Economic & Business Development (EBD) team. The review of the EBD team includes creating three roles to allow specific focus on business engagement - one generic role to support business networking and advice signposting, and two lead officer roles focusing respectively on high growth and lower growth potential key businesses.

The Economic & Community Ambition Board has requested this to be a priority for 2015, with a plan to be presented to the Board in March 2015. The Board has suggested one business visit per month. One visit was carried out in January 2015, which proved to be very useful, allowing facilitation of contact with relevant Council services to allow the business to discuss its plans for growth. The Council also received feedback from a study undertaken by a research fellow on its behalf in which he spoke with eight key businesses, which the Council will now be able to follow up.

### **...we take an active and planned approach to responsibility to our staff**

We have several tools (policies, procedures, workforce planning; 1:1s.) to help manage our staffing resources effectively, consistently and fairly. Our Strategic HR service has completed a major programme to improve its performance since being identified as a significant governance issue in the Annual Governance Statement for 2012/13. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. A further review by internal audit in August 2014, reported that the HR Service has completed a significant amount of work to address the issues raised previously and to achieve the majority of actions detailed in its ambitious improvement plan.

We are confident that the new HR model will become better embedded across the Council and, by building and maintaining better relationships between HR and the services it supports, the anticipated benefits should finally be achieved.

We have a variety of ways to ensure that we involve our employees and their representatives in decision-making. We carry out regular staff surveys and the 2013 survey resulted in an increased response rate from 37% to 44.6% over the 2011 survey. The latest survey highlighted that:

- more employees (83%) are proud to work for the Council;
- more employees (88%) are satisfied with the Council as an employer;
- over 90% of employees stated that they enjoy their work, know what is expected of them and get on well with their colleagues;
- change management has improved, but can perhaps be better, as only 60% feel that we plan and deliver changes well; and
- communication has improved, but can perhaps be better, as only 64% feel well informed about what is going on in their service.

Our whistleblowing procedures ensure that employees can raise issues of concern freely with a wide range of people/bodies.

## Significant governance issues

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The issues in the table below, together with any less significant issues that we have identified in our self-assessment above, will be added to our Governance Improvement Action Plan managed by the Council's Governance Group and monitored by the Corporate Governance Committee (Appendix 1). The following two significant governance issues were included last year but have not progressed far enough to be removed as yet.

### Significant Governance Issue 1

In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to finalise the review of our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.

#### Proposed action to address the issue

We will be developing and implementing a new framework during 2015 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.

#### Responsibility for the action

Head of Internal Audit to develop and launch the new framework.

#### Timescale for improvement

Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.

### Significant Governance Issue 2

In 2013/14, our Internal Audit service provided a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule. The Corporate Governance Committee has requested a progress report in May 2015, expecting the action plan to have been completed.

#### Proposed action to address the issue

Complete action plan and provide update report to Corporate Governance Committee.

#### Responsibility for the action

Acting Head of Strategic Procurement Unit

#### Timescale for improvement

May 2015



We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ..... (Leader) .....2015

Signed: ..... (Chief Executive) .....2015

## Governance Improvement Action Plan

Improvement Area	Action	Responsibility	Timescale
<b>Significant Governance Issues</b>			
In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to finalise the review of our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.	We will be developing and implementing a new framework during 2015 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.	Head of Internal Audit to develop and launch the new framework.	Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.
In 2013/14, our Internal Audit service provided a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule. The Corporate Governance Committee has requested a progress report in May 2015, expecting the action plan to have been completed.	Complete action plan and provide update report to Corporate Governance Committee.	Acting Head of Strategic Procurement Unit	May 2015

Improvement Area	Action	Responsibility	Timescale
<b>Partnership Governance</b>			
Our partnership governance toolkit does not provide clear guidance on the roles of partnership board members. We are aware that not all partnerships use the partnership toolkit, so, as part of a comprehensive review of the partnership landscape, we need to review the guidance to ensure that it is user-friendly and effective.	This will form part of the review of third party and arms-length service providers above	Head of Internal Audit to develop and launch the new framework.	Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.
<b>Constitution</b>			
The Council's main governance guidance is provided in our comprehensive Constitution that clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance, although it needs to be updated to take account of changed role titles and elected member portfolios.	A new Model Constitution has been developed for Wales. Our current Constitution will be reviewed in light of the new model and updated to reflect changed job titles and portfolios.	Head of Legal & Democratic Services	<b>To be agreed</b>
Our codes of conduct for elected members and employees form part of induction training, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes.	Elected members have been provided with several training sessions on the Code of Conduct and refresher sessions are made available each year. A strategy for maintaining awareness among employees will be developed.	Head of Legal & Democratic Services	<b>To be agreed</b>

Improvement Area	Action	Responsibility	Timescale
<b>Equalities</b>			
We are continuing our work to improve awareness of equalities issues. But Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements.	The Corporate Equalities Group will discuss the Internal Audit report at its July 2014 meeting. At the same meeting, the Group will consider for approval a new e-learning training module on equalities issues. Following approval, this new module will be rolled out.	Head of Business Improvement & Modernisation	<b>To be agreed following latest IA survey (this area will be deleted if improvement evident)</b>
<b>Policy Framework</b>			
We have an anti-fraud and corruption policy, although we have not reviewed and updated this since 2006.	This policy has been reviewed and a new draft policy will be presented to Corporate Governance Committee.	Head of Legal & Democratic Services	<b>To be agreed</b>
The value of effective business engagement is only just being recognised, which means that we have a lot more work to do before we see the benefits that result from recent developments. We need to ensure that effective opportunities exist for businesses to provide feedback on the delivery of the Economic and Community Ambition Strategy / Programme and identify what we need to do to make engagement with the Council a valuable activity for businesses. In the longer term, as key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect.	Leader and Corporate Director for Economic and Community Ambition to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council.	Leader & Corporate Director for Community Ambition	Annual

# Delivering good governance and continuous improvement

## Areas of change & development from 2013/14 to 2014/15

Colour coding	Arrangements not in place	Arrangements being implemented	Arrangements in place
Direction of travel	↓ Position deteriorating	↑ Position improving	→ Position unchanged

Principle 1 Focusing on our purpose and on the outcomes for citizens and service users		
Governance Area	Changes from last year	Direction of Travel
Communicating our Corporate Plan	We sought residents' views on the cuts that we are considering, to engage them more on how these cuts will impact on them and their communities and what can be done to lessen the impact	↑
Third parties and arms-length organisations	We have started to develop a framework to cover services provided by Council-funded service providers but this has been delayed. The framework will help to ensure that they have robust governance arrangements, and we will implement scrutiny arrangements to monitor their financial and operational performance.	↑
	We have reviewed the way we deliver services through our Town and Area Plans to improve clarity around the overarching policy intentions of the Plans and to improve the consistency in how they are developed and delivered. Improvements will also ensure that Plans are more strategic, provide clearer information on anticipated benefits and how impacts will be measured.	↑
Partnership governance toolkit	Although we have a comprehensive partnership governance toolkit, we are aware that not all partnerships use it. The above piece of work on Council-funded service providers will be extended to include partnership work.	↑
Service challenge process	This process has been highlighted as good practice through the Care and Social Services Inspectorate Wales (CSSIW) recent annual report. <i>"Within the council there is keen interest and support from elected members. They play a key role in the exemplary 'service challenge' meetings where they question lead officers about the performance and impact of the council's services."</i>	↑
Strategic procurement	During 2014/15, Internal Audit has continued to monitor progress on its 2013/14 report on Construction Procurement and report it to Corporate Governance Committee. These reviews show that progress with improvement has been slow and several deadlines missed.	→
Project management framework	The programme and project management methodologies, and the Verto system are working well across the Council, with some real deliverables now being realised.	↑
Performance management framework	The Verto system has been developed and extended to incorporate the Council's performance management processes. We are able to integrate our service business plans with programme and project activities, thus being able to report using key dependencies, such as progress against outcomes or priorities.	↑

## Principle 2 Performing effectively in clearly defined functions & roles

Governance Area	Changes from last year	Direction of Travel
Constitution – roles & responsibilities	To be updated following the Head of Legal, HR & Democratic Services' progress report to Corporate Governance Committee on 25 March 2015.	
Partnership 'board' roles	Although we have a comprehensive partnership governance toolkit, it does not provide clear guidance on the roles of partnership board members. The above piece of work on Council-funded service providers will be extended to include partnership work.	↑

## Principle 3 Promoting values for the whole organisation and demonstrating good governance through our behaviour

Governance Area	Changes from last year	Direction of Travel
Equalities	We have developed and produced a new e-learning module, which is in the process of being implemented across key customer-facing services.	↑
	Include outcome of IA survey on equalities awareness, whether improved or not	
Codes of Conduct	Code of Conduct refresher training was provided to elected members on 3 February 2015. The awareness raising strategy for employees has not yet been progressed.	↑
Anti-fraud & corruption	The anti-fraud & corruption draft strategy was considered by Corporate Governance Committee on 5 November 2014 but is still to be finalised.	↑
Whistleblowing procedures	Whistleblowing procedures have been revised but the new model constitution includes a new whistleblowing policy. The draft, which had previously been consulted upon with unions, need to be checked against this and redrafted where necessary for further consultation.	↑

## Principle 4 Taking informed and transparent decisions and managing risk

Governance Area	Changes from last year	Direction of Travel
Research & intelligence	The Research and Intelligence Team and the Corporate Programme Office have been combined following a service restructure. This new team, in addition to business as usual activities, will focus on key change activities and will begin to develop a strategic platform for management information and reporting, enhancing decision making processes.	↑
Internal audit service	During the year, the Head of Internal Audit carried out the required self-assessment review to ensure that the service complies with the new Public Sector Internal Audit Standards. The resulting improvement plan will be reported to Corporate Governance Committee as part of the Annual Internal Audit Report 2014/15 and monitored by the Committee.	↑
Information management	A Corporate Information Team was formed during 2013 to address previously identified weaknesses. Since this time, significant improvements have been made, which has recently resulted in the Internal Audit opinion being reduced from amber (major) to yellow (moderate). However, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy.	↑

## Principle 5 Developing our capacity and capability to be effective

Governance Area	Changes from last year	Direction of Travel
Member performance	Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment previously highlighted that it had not formed part of this performance monitoring arrangement in recent years. During the year, the Committee's chair produced a report that will be presented to Council in line with the Scrutiny annual reports.	↑
Staff performance appraisals	<b>We improved performance in 2013/14, with 89% of eligible employees receiving an annual appraisal. To date for 2014/15, 87% have been completed. (this will be updated before the final version)</b>	↓
Modernisation agenda	The Modernisation Board has initiated several projects that create service delivery efficiencies and we have developed a Flexible Working Policy Statement and guidance that sets out how we expect employees to work in the future and also what support we can provide. Improvements include: <ul style="list-style-type: none"> <li>• rolled out new IT equipment;</li> <li>• upgraded the Local Area Network and Wi-fi to support flexible working;</li> <li>• continued to review our office accommodation requirements;</li> <li>• agreed a hot-desk policy;</li> <li>• continued to roll out EDRMS to more services;</li> <li>• implemented Central Invoice Registration, which will reduce the number of invoices not paid on time and avoid late payment fines; and</li> <li>• developed a Customer Service Strategy to show how we will deliver excellent customer service.</li> </ul>	↑

## Principle 5 Developing our capacity and capability to be effective

Governance Area	Changes from last year	Direction of Travel
Staff development	<p>'Yr Hwb' cohort for 2014 was involved in a range of key projects, including:</p> <ul style="list-style-type: none"> <li>• Electronic Mailroom Business Case development;</li> <li>• Financial Inclusion Project E-Learning module;</li> <li>• Modernisation Programme stakeholder and communication events; and</li> <li>• work on Economic and Community Ambition Programme stakeholder events.</li> </ul>	↑
Training benefits	<p>More of our projects are being delivered from within services, benefitting as a result of the extensive project management training that has been undertaken over the past two years. This has resulted in a reduction of our Corporate Project Management resource, contributing to our resilience to change and our efficiencies.</p>	↑

## Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability

Governance Area	Changes from last year	Direction of Travel
Community engagement	<p>We have improved our community engagement during the year and are committed to undertaking further initiatives in 2015.</p> <ul style="list-style-type: none"> <li>• An extensive engagement and consultation debate took place in 2014 to discuss the Council's budget proposals in light of the significant savings the Council was expecting to make.</li> <li>• In delivering Denbighshire's Single Integrated Plan (Supporting Independence &amp; Resilience: Denbighshire's Wellbeing Plan 2014-2018) we extensively engaged with the community to establish our vision and priority areas.</li> </ul>	↑
Business engagement	<p>We have completed and initiated several actions that have either changed or will change our engagement with businesses.</p> <ul style="list-style-type: none"> <li>• Businesses endorsed the final Economic and Community Ambition Strategy.</li> <li>• We received positive feedback from the business community to a county wide 'Open for Business' event at the Royal International Pavilion in Llangollen.</li> <li>• Our Contract Procedure Rules now include community benefit clauses that promote the use of local business/labour/goods and supplies in all contracts.</li> <li>• Denbighshire's first Annual Business Survey was run during 2014, with 502 businesses taking part through a mixture of face to face, online and telephone engagement.</li> </ul>	↑
	<p>The Leader and Corporate Director for Economic and Community Ambition's plan to undertake annual visits to Business Groups and to the Top 10 businesses in the county have not progressed yet as we have given priority to supporting the Freedoms and Flexibilities budget efficiency process and reviewing the Economic &amp; Business Development team.</p>	→



**Report To:** Corporate Governance Committee

**Date of Meeting:** 25 March 2015

**Lead Member:** Julian Thompson-Hill, Leader Member for Finance & Assets

**Report Author:** Ivan Butler – Head of Internal Audit

**Title:** Internal Audit Strategy 2015/16

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

This report provides the Committee with the Internal Audit Strategy for 2015-16. The Strategy provides details of the proposed Internal Audit projects for the year that will allow the Head of Internal Audit to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

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

The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to develop a risk-based internal audit plan that takes into account the requirement to deliver an annual internal audit opinion and report that the organisation can use to inform its governance statement. This Committee's terms of reference require it to consider internal audit's planning strategy.

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

The Committee endorses the Internal Audit Strategy 2015/16 (Appendix 1)

## **4. Report details**

The Internal Audit Strategy 2015-16 provides background to the internal audit service as well as its proposed plan of work for the year based on an assessment of risk and consultation with services and Corporate Executive Team.

The proposed plan of work will allow the Head of Internal Audit to provide an overall 'opinion' in his annual report for 2015-16. This Committee will receive regular information reports on progress with delivery of the Strategy.

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

There is no direct contribution to the Corporate Priorities, but some projects in the Plan will review Corporate Priority areas and will potentially help with their delivery.

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

There are no costs attached to this report.

**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.**

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

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

The Head of Internal Audit has met with the Corporate Executive Team and heads of service to discuss proposed Internal Audit work

**9. Chief Finance Officer Statement**

There are no financial implications attached to this report.

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

Failure to deliver an adequate level of internal audit may mean that the Head of Internal Audit cannot provide an annual 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year. This would potentially lead to a significant governance issue being raised in the Council's 'annual governance statement' at the end of the financial year.

**11. Power to make the Decision**

There is no decision required for this report but there is a requirement under the local Government (Wales) Measure 2011 for the 'audit committee' to review and assess the Council's risk management, internal control and corporate governance arrangements and to oversee the Council's internal audit arrangements.

# **Internal Audit Strategy 2015/16**

**Arrangements for delivering an  
effective internal audit service**

**March 2015**

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## Background to the Service

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The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, efficiency and operational and financial control. We also provide internal audit services to North Wales Police (NWP) but this Strategy refers primarily to the service provided to Denbighshire County Council.

The service works to the Public Sector Internal Audit Standards (PSIAS) that include a Code of Ethics that the team must abide by. The objectives of the PSIAS are to:

- define the nature of internal auditing with the UK public sector;
- set basic principles for carrying out internal auditing in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

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### PSIAS definition of internal auditing...

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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### Our main objectives are to...

...provide independent assurance and advice to management and elected members on risk management, governance and internal control;

...develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers; and

...add value in all areas of our work, providing excellent service to our customers.

Our team is very proactive and innovative, constantly aiming to improve and we have recently reorganised as part of the Council's efficiencies programme to focus our work more in key areas. Over recent years, we have developed a very successful customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management

and operational staff that has made us a valued service within the Council, contributing to service improvement as well as providing assurance.

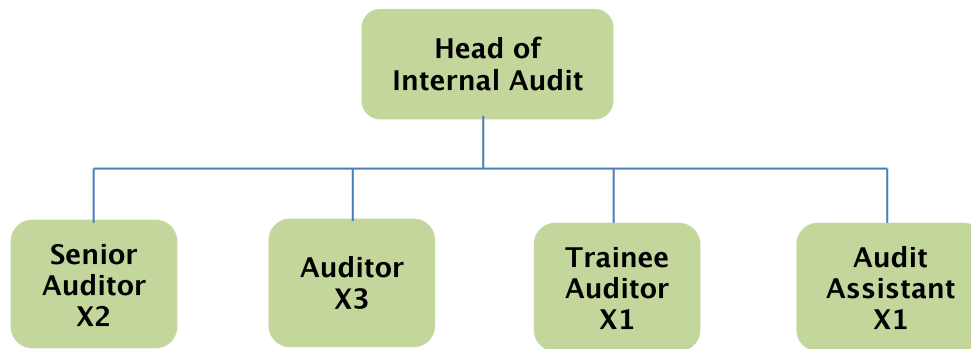
Our work provides a risk-based approach that allows the Head of Internal Audit (HIA) to form and evidence his opinion on the control environment to support the Council's annual review of its governance arrangements. Our Internal Audit Strategy therefore links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management to identify projects that will add value to them.

The HIA may also provide assurance to other organisations that work in partnership with DCC if the IA service has carried out work in that area of service, particularly if the other organisation is the lead partner.

## Service Structure

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The recent service restructure means that we have reduced the tiers within the service from five down to two, as it was considered top-heavy and hierarchical. The new structure will significantly reduce costs and improve efficiency and communication.



## Internal Audit Annual Plan 2015/16

Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
<b>DCC Corporate &amp; Service Assurance</b>						
Financial Systems	68	■	■	■	■	Annual review of accounts payable, payroll, treasury management, VAT, budgetary control etc.
Financial planning and performance	12	■	■	■	■	Review impact of efficiencies on performance
Revenues Services	35	■	■	■	■	Contingency for review of new arrangements (IA role to be agreed)
Housing Rents	20	■	■	■	■	Annual review of selection of areas within the service
WG 6th Form Funding/PLASC	30					Welsh Government requirement to ensure proper use of 6 <sup>th</sup> form funding
Council-Funded Service Providers / Partnership working	30		■	■	■	Framework for Council-funded service providers
Project Management	40	■	■	■	■	Review management of a sample of key projects
Procurement	40	■	■	■	■	Annual review. Scope to be agreed with new Head of Service
Corporate Governance - review of Constitution roles & responsibilities	15		■	■	■	Review progress with developing new Constitution & whether it meets requirements of governance framework
Corporate Governance - review of Part 2 Criteria	15		■	■	■	Review of criteria for Part 2 reports and the consistent implementation of the criteria.
High Corporate Risk Assurance	25	■	■	■	■	Management of the high inherent corporate risks from the Corporate Risk Register in place at the time of audit.
Corporate Safeguarding	10		■	■	■	Follow up of 2014/15 Internal Audit review



Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
Cashiers / Income / Banking Controls	20	■	■	■	■	Review internal controls in a sample of cash handling sites and reconciliation procedures in place corporately.
IT Assurance Work	60		■	■	■	Contingency for projects to be agreed with Business Transformation & ICT Manager.
Sickness Absence Management	30		■	■	■	Review the new arrangements put in place during 2014/15 to manage sickness absence.
Ruthin Craft Centre	15	■		■	■	Review of expenditure, exhibitions, lettings, income collection, management processes etc.
Industrial Estates	25	■		■	■	Review of expenditure, lettings, income collection, management processes etc.
Paris Financials	20	■		■	■	Operational review requested by Director of Social Services - scope to be discussed and agreed.
Protection of Vulnerable Adults	20		■	■	■	Review of arrangements and operations to ensure the protection of vulnerable adults.
Direct Payments / Independent Supported Living	20	■		■	■	Operational review to ensure direct payments effectively managed, not abused, well-promoted etc.
Community Living	20	■		■	■	Top-down review to ensure processes & procedures are efficient & effective in dealing with clients' monies.
Highways Asset Management	20			■	■	Operational review requested by Head of Service - scope to be discussed and agreed.
Public Transport	20	■		■	■	Operational review of procurement, contracting, monitoring arrangements, compliance with government grant conditions.
Building Cleaning	20	■		■	■	Service under review and new management. Review of expenditure, operational efficiency, income charging etc.
Fleet Management	25	■		■	■	Operational review requested by Head of Service - scope to be discussed and agreed.
Parking Services	25	■		■	■	Review of income collection procedures, enforcement, value for money of partnership arrangements for DCC.
Community Enforcement	20	■		■	■	Operational review of arrangements with external enforcement agency for Head of Service assurance.

Area of Work	Plan Days	Assurance				
		S151	AGS	IA Annual	CET/SLT	Comments
Housing Enforcement	20			■	■	Review of HMOs, including new DCC policy implementation.
IT Management in Schools	25			■	■	Contracts, procurement, security, environmental controls etc.
HR Management in Schools	25			■	■	Appointments, leavers, strategic arrangements etc.
Information Management in Schools	25		■	■	■	DPA, FOI, EIR, security etc.
Leadership in Schools	20			■	■	Joint project to look at head teachers' management role, training etc. to be agreed with Head of Service.
Internal Audit Project Follow Ups	80	■	■	■	■	Contingency for following up IA report action plans
Special Investigations & Fraud Prevention	60	■	■	■	■	Contingency for management of and joint working with Corporate Fraud Officer.
Brought forward projects	30	■	■	■	■	Contingency to complete outstanding projects from 2014/15
<b>DCC Assurance Total</b>	<b>985</b>					
<b>Corporate Support work</b>						
Corporate Governance Framework & Annual Governance Statement	15					
Consultancy & Corporate Areas	50					Contingency for committee meetings, working groups etc.
<b>Corporate Support Total</b>	<b>65</b>					

Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
<b>External Services</b>						
Natural Resources Wales	60					Contingency for final two financial service reviews to complete contract and possible IT audits.
North Wales Police	200					Year two of three-year contract.
School Funds	25					Contingency for requests to audit school funds for fee.
<b>External Services Total</b>	<b>285</b>					
<b>Rechargeable Service Total</b>	<b>1335</b>					
<b>Overheads</b>						
IA Team Meetings, 1:1s, Appraisals etc.	50					
IA Management	60					
IA Training & Development	80					
<b>Overheads Total</b>	<b>190</b>					

## Service Standards

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To measure how well we deliver our essential audit work and a customer-focused service, we use following performance measures:

Customer Service Standard	Target
We will contact you at least 2 weeks in advance to arrange a suitable date for our visit.	100%
We will discuss, agree & send you the Internal Audit Project Scoping Document before we commence work.	100%
At the conclusion of our work, we will hold a closing meeting with all relevant people to discuss the outcome of our work, and then send you a draft report within 10 working days of that meeting.	90%
Once we have agreed the draft report and any actions plan with you, we will send you the final audit report within 5 working days.	90%

**Report To:** Corporate Governance Committee

**Date of Meeting:** 25 March 2015

**Lead Member:** Julian Thompson-Hill, Leader Member for Finance & Assets

**Report Author:** Ivan Butler – Head of Internal Audit

**Title:** Financial Payments to Care Leavers Update

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

This report provides an update on progress with the action plan included in the Internal Audit report on Financial Payments to Care Leavers issued in March 2014.

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

Corporate Governance Committee requested a progress report at its meeting of 5 November 2014.

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

- The Committee reviews and comments on the progress report.
- The Committee decides whether it is satisfied with progress to date.
- The Committee decides whether it requires any further follow up reports, who from and on what date.

## **4. Report details**

Internal Audit's report on Financial Payments to Care Leavers issued on March 2014 included an action plan with four Moderate Issues that had 14 actions agreed to address the issues. When the Head of Internal Audit presented the report to the Corporate Governance Committee on 15 April 2014, the Committee expressed some concerns that the current payment process was unsustainable and requested that the Internal Audit follow-up review be reported to the Committee once completed.

The Committee discussed the follow up report on 5 November 2014, which showed that only five actions had been completed, with a further three in progress. Six actions had not been addressed, including the main issue raised (Issue 1), which required a complete review of the process for making payments to care leavers. The Committee therefore requested a further follow up report.

Appendix 1 provides the latest update, which now shows that eight actions have been completed, with the remaining six in progress. Most of the remaining actions rely on advice requested from the Collaborative Procurement Service (previously the Strategic Procurement Unit) but, until this is received, the key issues arising from the

Internal Audit report cannot be addressed and are nearly one year overdue from the original action plan.

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

Not applicable – information report only

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

Not applicable – information report only

**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.**

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

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

Not applicable – information report only

**9. Chief Finance Officer Statement**

There are no financial implications attached to this report.

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

If the Internal Audit action plan is not implemented, weaknesses will remain in the procedures for making payments to care leavers as outlined in the original Internal Audit report.

**11. Power to make the Decision**

Not applicable – information report only

# Action Plan

**Audit Follow-up Review of:** Care Leavers' Service - Financial Payments  
**Date:** March 2015  
**Action Plan Owner:** Head of Children and Family 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	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
1.	There is a need to undertake a review of the process currently in place for making payments to care leavers.	<p>Set up a meeting with the Head of Revenues &amp; Benefits (and other staff as required) to discuss alternative methods of procuring goods and / or making payments to care leavers  <b>Rhiain Morlle / Julie Lavin &amp; Rod Urquhart – May 2014</b></p> <p><b>Progress at previous follow up</b>            RM to meet with Acting Strategic Procurement Manager and / or Head of Revenues &amp; Benefits to consider other options that may be available in respect of procuring goods / services at discounted prices - <b>Revised timescale – Dec. 2014</b></p>	<p><b>In progress</b>            This action was altered, as the issue was best dealt with by the Collaborative Procurement Service. A meeting has been held and a Senior Procurement Officer is looking into the following areas:</p> <ul style="list-style-type: none"> <li>• The current arrangement of purchasing white goods for care leavers.</li> <li>• The proposal for the use credit union bank accounts and whether these offer best value.</li> <li>• Extending the use of bus passes across other services, and the saving that this would bring.</li> </ul>	Waiting for the advice and guidance from Collaborative Procurement Service regarding current arrangements. Following this advice, the procedures will be finalised.

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
		<p>Following the above, to undertake a review of the current payment process and implement changes as appropriate / required. - <b>Rhiain Morlle September 2014</b></p> <p><b>Progress at previous follow up</b> Various providers of accounts/cards were explored. The Credit Union has cards that will meet the young people's needs with added controls, depending on their age (no overdraft, accepted in shops, used to withdraw cash). Credit Union will also accept one BACs payment and will split the money as we instruct them. JL has met with manager of the Credit Union to progress with this option.</p> <p>JL to meet the Financial Assessment Officer who processes payments for care leavers. Further meeting planned with manager of Credit Union to finalise agreement prior to implementation. <b>Revised timescale - Dec. 2014</b></p>	<b>In progress - see above</b>	Once the report from the Collaborative Procurement Service is received, the outstanding action points from can be addressed.
	Objectives should be considered to achieve the following:			
	<ul style="list-style-type: none"> <li>•Setting up a bank account or alternative for every care leaver as soon as possible following referral to the service to equip them to receive payments in this way and to learn about budget management.</li> </ul>	<p>Note: Bank accounts are set up for care leavers. There is a process to support some of those who are unable to manage budgeting matters. Training, support and advice is in place and bank accounts applied for when the service is confident that this best meets the assessed needs of the individual young person.</p> <p>Set up a process where six-weekly reviews of the bank account situation for each young person is monitored. <b>Julie Lavin and other Social Workers - May 2014</b></p>	<b>Complete at previous follow up</b>	



Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
Page 257	<ul style="list-style-type: none"> <li>• Maximising value for money through negotiating with third party suppliers, e.g. Arriva for bus passes or with white good suppliers, where greater discounts can be obtained through framework agreements.</li> </ul>	<p>To be factored into the overall review</p> <p><b>Progress at previous follow up</b> Meeting to be held to discuss procurement matters (see note above)</p>	<p><b>Awaiting view of Collaborative Procurement Service</b></p>	
	<ul style="list-style-type: none"> <li>• To explore more modern and secure ways of making payments, such as using pre-paid cards where the level of spend can be easily monitored and controlled. This would replace the need to administer transactions through the petty cash account, which is costly and labour intensive.</li> </ul>	<p>To be factored into the overall review</p> <p><b>Progress at previous follow up</b> Arrangements to be finalised (see note above)</p>	<p><b>In progress</b> We have explored this and have a system that we can use; however, we are waiting for the view of the Collaborative Procurement Service as to the cost effectiveness of the identified scheme.</p>	
	<p>Additionally, there is a need to consider cross-service working on this project to take advantage of skill sets outside the social care environment, e.g. price negotiation and marketing.</p>	<p>To be factored into the overall review</p> <p><b>Progress at previous follow up</b> Meeting to be held to discuss procurement matters (see note above)</p>	<p><b>Complete</b> Meeting held, areas for exploration agreed.</p>	
2.	<p>The procedures currently in place for the Care Leavers service are in need of review but we accept that it may be practical to deal with this exercise after the previous issue has been addressed. Linked to this, associated areas of concern include the following:</p>			
	<ul style="list-style-type: none"> <li>• The schedule of allowances payable should be reviewed and approved by an appropriate senior manager on an annual basis.</li> </ul>	<p>Service Manager to review schedule <b>Rhian Morlle – April 2014</b></p>	<p><b>Completed at previous follow up</b> Review of payment for this financial year done and no changes were made. Payments for next financial year to be agreed following confirmation of budget position. - Completed</p>	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
Page 258	<ul style="list-style-type: none"> <li>The same should be followed for the leaving care first home grants (if they are to continue in the same way after the review).</li> </ul>	Service Manager to review schedule <b>Rhiain Morlle – April 2014</b>	<b>Completed at previous follow up</b> As above	
	<ul style="list-style-type: none"> <li>All social workers dealing with care leavers may require some refresher training to help raise awareness of the need to adhere to the procedures if the service is to ensure a fair and consistent process and that the financial framework is robust.</li> </ul>	Workshop within Practice Group meeting <b>Julie Lavin – April 2014</b>  <b>Progress at previous follow up</b> Put back until new team member in post. To be held in November as part of team day for 14+ team and Barnardo’s Personal Advisor staff. <b>Revised timescale – Nov. 2014</b>	<b>Complete</b> A development day for 14+ Practice Group and the Barnardo’s Personal Advisor Service has been arranged for April 2015.	
		Further revision to procedures to be made to reflect any changes to the payment process (resulting from the work in Issue 1 above) <b>Rhiain Morlle – After the completion of the payment process review.</b>  <b>Progress at previous follow up</b> See Issue 1	<b>In progress</b> Awaiting view of Collaborative Procurement Service	

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
3.	<p>Until legislation is provided in respect of the Council's duty and responsibility to young people who present themselves as homeless (under the Southwark Judgement agreement) there is a need for interim guidance on the financial support that is to be provided.</p> <p>All social workers dealing with the individuals will need to be aware of its content and to adhere to it when making payments.</p>	<p>Interim policy and guidance to be rewritten / updated and shared with all relevant staff. <b>Rhiain Morlle - April 2014</b></p> <p><b>Progress at previous follow up</b> Update of interim policy - Completed with exception of RM adding a policy position statement. To be discussed at Southwark Judgement implementation group and members of Housing Services. <b>Revised timescale - December 2014</b></p>	<b>Completed</b>	
	<p>Further revision to procedures to be made to reflect any changes to the payment process (resulting from the work in Issue 1 above) <b>Rhiain Morlle - After the completion of the payment process review.</b></p> <p><b>Progress at previous follow up</b> See Issue 1</p>	<b>In progress</b> Awaiting view of Collaborative Procurement		
259	The service should consider setting up an agreement with the care leaver to ensure that they have a responsibility to declare a change of circumstances to their Personal Advisor or Social Worker as and when their circumstances change, e.g. when DWP benefits become payable, to mitigate the risk that the service may continue to make payments indefinitely	<p>Work in progress - DCC, DWP and Barnardo's are currently working on a three-way confidentiality agreement that will allow certain information to be disclosed (i.e. benefit start dates ). This will be followed by work on an agreement where the Care Leaver can apply for benefit six weeks prior to their 18th birthday and payment to be made soon after their 18th birthday. This will eradicate the need for a balance or a compromise in our corporate parenting 'moral' duties and ensure that we are more aware of a young person's change of circumstances. <b>Julie Lavin, Debbie Rogers, Andrea Dixon - May 2014</b></p>	<b>Completed at previous follow up</b> Agreement in place and in use.	
	<p>A form for the care leaver will also be devised where they agree to inform of change of circumstances. <b>Julie Lavin - May 2014</b></p>	<b>Completed at previous follow up</b> Form in place and in use.		

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**Report To:** Corporate Governance Committee

**Date of Meeting:** 25 March 2015

**Lead Member / Officer:** Rebecca Maxwell, Corporate Director

**Report Author:** Rebecca Maxwell/Hannah Jones

**Title:** Clwyd Leisure Ltd - Review of Lessons Learned

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

Clwyd Leisure Ltd (CLL) was established as an arm's length company by Denbighshire County Council in 2001 to take over the operation of certain coastal leisure facilities. The company ceased trading in early 2014. This report reviews the circumstances leading up to that failure and identifies lessons learned to minimise the risk of similar circumstances occurring again in future.

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

Following the closure of Clwyd Leisure Ltd, Cabinet requested that officers undertake an internal review of the creation, management and monitoring of the company with a view to understanding what happened, confirming whether safeguards were now in place to prevent recurrence and identifying any further improvements needed. It was agreed that the report would be considered by Corporate Governance Committee.

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

Corporate Governance Committee is invited to consider the findings and conclusions arising from the internal review, and to endorse the recommendations set out within the body of the report in Appendix 1.

## **4. Report details**

- 4.1 In March 2014, Cabinet agreed interim arrangements for the Sun Centre, the Nova Centre and the North Wales Bowls Centre following the failure of CLL, the arm's-length company that had been operating those facilities for the Council in Rhyl & Prestatyn. An earlier Cabinet in January 2014 had expressed continuing concern about poor performance levels at the facilities and had agreed to withhold payment as a result. Cabinet had also agreed that a due diligence exercise had uncovered too many risks to allow the Council to take over operation of the three facilities direct from the company. Shortly after this, CLL had ceased trading and closed all three facilities with immediate effect.
- 4.2 At its meeting in March 2014, as well as putting in place interim arrangements for the facilities, Cabinet also asked that an internal review be undertaken to establish what lessons could be learned from the current situation to minimise

the risk of similar circumstances arising again in future. It was agreed that while understanding the history and background, the review should focus on learning lessons for the future. Independently, the Head of Internal Audit had been asked to review the arrangements within the Council for governing and monitoring performance from its arm's-length organisations. This report sets out the findings, conclusions and recommendations from the desktop review commissioned by Cabinet, set within the context of the recommendations made by the Head of Internal Audit to improve overall governance of arms-length organisations.

- 4.3 A brief timeline of the history of CLL is set out within the review report. The company was established in 2001, following an options appraisal, to take over operation of designated coastal leisure facilities in Rhyl & Prestatyn from the Council to allow them to operate on a more commercial footing and reduce overall cost to the Council. The original vision was that surpluses generated by the company from its trading activities would be reinvested in the facilities to maintain their commercial appeal and generate further revenue. From the review, it is apparent that this did not happen, with reserves initially being accumulated but limited evidence of reinvestment and a continued reliance on Council subsidy by the company. The original intention of gradual withdrawal of Council subsidy, despite being agreed, was not documented in the Funding Agreement, making later discussions with the company regarding funding tense and difficult.
- 4.4 Although the original decision to set up CLL was based on an options appraisal, the review concluded that this was not followed through into the formal documentation establishing the company or its relationship with the Council. Not putting these in place from the outset contributed to weaknesses in monitoring and scrutiny arrangements and made it difficult for the Council to manage its relationship with the company. Roles and responsibilities were not set out and powers to intervene were unclear. Within the Council, scrutiny and monitoring arrangements were confused and multiple reporting lines are likely to have contributed to a lack of follow through.
- 4.5 Much has changed within the Council since CLL was originally established. More robust approaches to business case development and project and risk management make it unlikely that similar circumstances would occur now. Risk management is more firmly embedded within the Council and a clearer focus on performance management is now routine. The review identified that in the latter stages, the relationship with CLL was more robustly managed, with regular monitoring in place and improvement actions identified and followed up. The decisions made by Cabinet in January and March 2014 were significantly informed as a result of this more robust approach.
- 4.6 Recommendations for further improvements are set out in the review report. These are linked to the Head of Internal Audit's overall review of arrangements for ensuring appropriate governance and performance monitoring of arms-length organisations more generally. These include many of the points referred to above as weaknesses in the initial establishment of this particular arms-length company – robust business cases, detailed risk analysis and contingency planning, clear documentation and a focus on measurable objectives and performance measures. They also include

recommendations to improve Council oversight, scrutiny and monitoring – avoiding reliance on Council-appointed board directors as the sole means of governance and nominating relevant committees within the Council to consider the governance and performance of such arms-length relationships.

- 4.7 The Committee is invited to consider the findings of the review and determine whether the recommendations for improvement provide sufficient assurance regarding governance and performance management of arms-length relationships in the future.

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

While not directly contributing to corporate priorities, the improvements that will arise from this review will ensure good governance and use of public money when using Council-funded service providers.

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

There are no financial consequences as a direct result of this report. The recommendations made in the review and associated arms-length organisations work by the Head of Internal Audit will assist the Council in its stewardship of public funds and resources.

- 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.**

An EqIA is not required for this report.

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

The review was carried out on a desk-top basis. Relevant officers and Lead Members were consulted as the review was carried out. The Head of Internal Audit has supported the finalisation of the review and its recommendations.

**9. Chief Finance Officer Statement**

N/A

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

The review and associated work on governance and performance monitoring of arms length organisations is designed to improve the Council's management of risk in this area.

**11. Power to make the Decision**

Not applicable – information report only

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2015

**Clwyd Leisure Limited  
Review of Lessons Learned**



March 2015

Hannah Jones,  
Graduate Project  
Officer

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## Purpose & Scope

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### Purpose of the review

Clwyd Leisure Ltd (CLL) was originally established as an arms-length company of Denbighshire County Council (DCC) in 2001 to take over responsibility for running DCC's coastal leisure facilities. Over recent years, both standards and visitor numbers at its facilities fell.

During the latter half of 2013, DCC commissioned a 'due diligence' review of CLL as part of exploring whether to take over the operations of the company, in response to its continued poor performance. The review identified significant concerns, which, coupled with the performance issues already being raised in relation to the company's operations, led DCC to terminate its relationship with CLL. CLL was wound up as a company in early 2014.

Given the importance of the facilities themselves and the level of public funding provided to CLL since its establishment, it is important to understand what happened, how performance fell, what lessons can be learned and whether similar situations could be avoided in future.

### Scope of the review

At its meeting on 25 March 2014, DCC's Cabinet agreed to undertake an internal review to address the following points:

1. An understanding of the timeline and key events in the history of CLL – from the decision to establish the company in 2001 to its closure in 2014.
2. An assessment of the legal and other paperwork establishing the company and governing its relationship with DCC.
3. Identification of key roles and responsibilities – between DCC and the company, and for key personnel (officers and elected members) within DCC.
4. An assessment of the degree to which agreed governance and oversight arrangements were adhered to by all relevant parties, including the role/involvement of DCC's scrutiny committees.
5. Identification of monitoring and inspection reports considered by DCC and an assessment of any action taken as a result.
6. Identification of funding provided to CLL and an assessment of the degree to which it could be considered to represent value for money.
7. Lessons learned and recommendations for the future.

### Out of scope issues

Investigation into the conduct of CLL itself, other than as is relevant to the points noted above, was agreed as outside the scope of the review.

## Links to other reviews

DCC's Head of Internal Audit recently completed a review entitled '*An assessment framework for Denbighshire County Council to gain assurance on governance and performance from its 'arms-length' organisations*'. This report has already been considered by DCC's Corporate Executive Team (CET) and Corporate Governance Committee. The main aim of the report is to identify areas of good practice in establishing and monitoring arms-length organisations and this is now being developed into a framework for DCC to implement from 1 July 2015 to address the following key issues:

- Having guidance and consistent arrangements for setting up and recording arms-length organisations means that DCC will be fully aware of all such organisations that it deals with.
- Having regular and robust monitoring arrangements means that DCC will not fund arms-length organisations that do not deliver intended outcomes and will be aware of such organisations that perform poorly, operationally and/or financially.
- Having robust governance arrangements over arms-length organisations reduces the likelihood of failure in DCC's stewardship of public funds.
- Having early warning mechanisms through regular monitoring information reduces the likelihood that DCC will suffer financial loss due to an arms-length organisation ceasing to exist and should not have to step in with contingency arrangements to deliver services.
- Having robust business cases for approval of arms-length organisation arrangements means that DCC can ensure that they share its values and should not bring it into disrepute through their behaviour.
- Having robust legal agreements and service level agreements ensures that both organisations understand their roles and responsibilities and strengthens DCC's position in the event of dispute.
- Providing robust guidance and support to DCC's elected members and officers who sit on outside bodies protects their interests, improves the likelihood of robust scrutiny and clarifies the legal position and conflicts of interest relating to directorships and trustees.
- Overall, the framework means that DCC should not suffer significant damage to its reputation due to failure of an arms-length organisation.

This review report therefore addresses the scope outlined above, taking into account the good practice identified in the Head of Internal Audit's report.

## How robust were the arrangements for setting up delivery of services through CLL?

Key Questions	Summary of Events	Conclusions
<p>Did the decision to set up or engage with CLL follow an appraisal of options for service delivery?</p>	<p>In 2000, a feasibility study by an external consultant outlined three options for DCC's leisure facilities at the Sky Tower, Sun Centre, Nova Centre, and North Wales Bowls Centre:</p> <ul style="list-style-type: none"> <li>• Continue directly providing the service in whole or in part.</li> <li>• Contract with other organisations to provide the service in whole or in part.</li> <li>• Transfer the service on a partnership basis to an arms-length organisation.</li> </ul> <p>The benefits of externalising the facilities were identified, concluding that this was the preferred option, as it would reduce costs to DCC, potentially provide better options for private and third sector funding and allow exemption from certain taxes. It was intended that the savings made by the new organisation would be re-invested into each facility. The opportunities for savings to DCC were estimated at £119k per annum.</p> <p>In March 2001, Cabinet approved the establishment of CLL from 1 April 2001, approving grant levels for the first three years, subject to the right to vary the amount, depending on performance. Cabinet also approved the granting of leases for a term of 21 years for the Sun Centre, Nova Centre and North Wales Bowls Centre, and for 10 years for the Sky Tower. Finally, Cabinet approved the TUPE transfer of 53 members of DCC staff to the new organisation from May 2001.</p>	<p>Cabinet's decision in 2001 was based on an options appraisal carried out by an independent consultant. The decision was based on financial and operational benefits that favoured transfer to an arms-length organisation.</p>
<p>Was an overall statement of purpose of CLL expressed in key documents?</p>	<p>In April 2001, CLL was established with the Certificate of Incorporation, stating the agreement between both parties. The object of CLL was <i>'To provide, assist in the provision of, operate, supply and maintain facilities, attractions, goods and services for recreation or other leisure time activity primarily, but not exclusively for the community and visitors to Denbighshire.'</i></p>	<p>The Certificate of Incorporation was a key document in establishing CLL and included a statement of purpose of the organisation that was clear enough as a 'vision' for the future.</p>

Key Questions	Summary of Events	Conclusions
<p>Did legal documentation setting up CLL and its relationship with DCC:</p> <ul style="list-style-type: none"> <li>• establish clear limits to DCC's involvement?</li> <li>• include a timetable for achieving CLL's objectives?</li> <li>• state the circumstances under which the agreement could be amended or terminated?</li> <li>• establish clear roles and responsibilities?</li> </ul>	<p>The Funding Agreement of March 2004 included the following:</p> <ul style="list-style-type: none"> <li>• DCC and CLL resolved to work in partnership to achieve common objectives for tourism and leisure services.</li> <li>• DCC was to provide financial assistance in return for the achievement of those common goals.</li> <li>• DCC reserved the right to vary, suspend, reduce or withdraw its funding if CLL breached any terms of the funding agreement, giving three months' notice.</li> <li>• DCC could terminate the agreement if CLL appointed a receiver or went into liquidation.</li> <li>• A section on dispute resolution</li> </ul> <p>However, the Funding Agreement did not establish roles and responsibilities and did not include specific limits to DCC's involvement, timetables for achieving objectives, or specific circumstances that could allow either party to amend or terminate the agreement.</p>	<p>Although a Funding Agreement was put in place, it was not specific enough to allow robust monitoring, e.g. SMART objectives, performance indicators, specific circumstances under which DCC could amend or terminate the agreement.</p> <p>By not being specific enough, the agreement left too much open to interpretation in terms of monitoring, who should perform what role, timetables, deadlines, implications of poor performance, breach of the agreement etc.</p>
<p>Did DCC ensure that robust legal and contractual arrangements were in place from the outset of the arrangement, including an exit strategy?</p>	<p>Although CLL was in place from April 2001, the sale of transfer agreement, common seal of DCC, funding agreement and lease agreements were not in place until 2004.</p>	<p>Not having relevant legal agreements in place from day one of CLL, left DCC vulnerable if CLL failed during its early years. Although the Funding Agreement when established was not specific enough to allow robust monitoring, DCC would have faced a difficult legal dispute if CLL had failed with no legal documentation having been put in place.</p> <p>No evidence was found during this review of a specific exit strategy, which is a fundamental part of a legal agreement to protect both parties.</p>

## How well did DCC understand the financial commitment and risk to which it was exposed through CLL?

Key Questions	Summary of Events	Conclusions
<p>Did documentation setting up CLL and its relationship with DCC:</p> <ul style="list-style-type: none"> <li>define the nature of the financial relationship?</li> <li>define DCC's commitment to CLL?</li> <li>explain that DCC's contributions were not open-ended in duration or amount?</li> <li>require minimum accounting and auditing standards?</li> <li>define specific governance, finance and performance indicators that would give early warning of potential problems?</li> </ul>	<p>The Funding Agreement of March 2004 included the following:</p> <ul style="list-style-type: none"> <li>DCC's funding was subject to the monitoring and review processes included in the Agreement, measured by using agreed performance indicators. However, no performance indicators were specified and the following section of this report shows that monitoring was sporadic.</li> <li>DCC would agree the funding based on CLL's business plan proposals. The funding was fixed from 1 April 2001 to 31 March 2004, with further funding to be agreed between DCC and CLL on application from CLL by 1 October each year, preliminary indication from DCC by 1 December each year, and final confirmation by 1 March.</li> <li>CLL agreed to comply with statutory and best practice accounting requirements.</li> <li>CLL was to provide DCC with a copy of its annual audited accounts within 10 months of the year end. Some copies of the accounts were seen during this review, but it was not established whether CLL complied with the terms of the Agreement in submitting them annually within timescale.</li> </ul> <p>In March 2001, Cabinet approved the first three years' grant to CLL of £350,970 for 2001/02, £351,275 in year 2 and £335,415 in year 3, subject to the right to vary the amount depending on performance. Once CLL was self-sufficient, DCC intended to gradually withdraw the subsidy, thus making the savings intended by transferring management to CLL; however, this was not specifically outlined in the Funding Agreement.</p> <p>During this review, no evidence was seen that the specific requirements of the Funding Agreement relating to agreement of DCC's annual funding after the first three years were adhered to by either party.</p>	<p>Although a Funding Agreement was put in place, it was not specific enough to allow robust monitoring, including no specific performance measures, whose role it was to report, monitor, escalate concerns etc.</p> <p>Although the Agreement included some specific requirements, such as deadlines for submitting business plans and funding applications, there is no evidence of these having been adhered to or of DCC insisting on compliance with the terms of the Agreement until late in CLL's existence.</p> <p>The Funding Agreement was weak in not requiring any specific actions from CLL in establishing robust governance arrangements, including completion of an Annual Governance Statement to be submitted to DCC for consideration.</p> <p>Although the Funding Agreement was not specific about reducing DCC's financial contribution, requiring an annual business plan and funding application did suggest that DCC's funding after the initial three years was not open-ended in duration or amount.</p> <p>Overall, the evidence suggests that the Funding Agreement was not as robust as it should have been and, even where it was specific in its requirements, it was not used or referred to when monitoring CLL's performance or compliance with deadlines until near the end of CLL's existence. Not having clear monitoring arrangements in the Agreement subsequently contributed to lack of clarity in monitoring in the ensuing years.</p>

Key Questions	Summary of Events	Conclusions
<p>Did documentation setting up CLL and its relationship with DCC include a written agreement about the transfer of public assets that safeguarded their title and use</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 272</p>	<p>The business plan included an outline of the leasing arrangements for the facilities as follows:</p> <ul style="list-style-type: none"> <li>• Sun Centre – 21 year lease with rent of £5,000 per year</li> <li>• North Wales Bowls Centre – 21 year lease with rent of £11,000 per year</li> <li>• Nova Centre – 21 year lease with rent of £5,000 per year</li> <li>• Sky Tower – 10 year lease with rent of £5,700 per year</li> </ul> <p>There were also specific leasing agreements for each facility that included:</p> <ul style="list-style-type: none"> <li>• permitted and restricted use and hours of use</li> <li>• terms of the agreement</li> <li>• initial rent and rent reviews</li> <li>• DCC’s landlord option date</li> <li>• CLL’s requirements for repair and redecoration</li> <li>• DCC’s rights of inspection and entry</li> <li>• CLL’s limits on alterations</li> <li>• CLL’s insurance obligations</li> <li>• break options</li> </ul>	<p>As far as this review can tell, the documentation relating to the assets was robust, safeguarding their title and use but no evidence was found of strict implementation or monitoring of adherence to the agreements, particularly in the early years of the arrangements with CLL.</p>
<p>Was a formal risk assessment carried out and documented before entering into an agreement with CLL?</p> <p>Did this risk assessment extend beyond financial risks to other areas e.g. reputational risk?</p>	<p>The Funding Agreement included CLL’s business plan, which identified some risks relating to the facilities, their maintenance, running costs, visitor numbers and seasonal cash flow, decline in tourism etc. However, there was no other risk assessment carried out by DCC to show the risks to itself relating to the transfer to CLL, the establishment and monitoring of the arrangements, achievement of objectives, financial risks, reputational risks etc.</p>	<p>Although some risks were probably considered at the time of the options appraisal, there was no formal risk assessment, which probably accounts for the lack of robust documentation for setting up and monitoring CLL. If key risks had been identified at the time, action could have been taken to manage or mitigate these before the arrangement was put in place.</p>



Key Questions	Summary of Events	Conclusions
<p>Were contingency plans put in place to ensure that service delivery could be maintained if the agreement were to end?</p>	<p>No contingency plans were found during this review.</p>	<p>Having contingency plans is established good practice within any organisation to deal with the unexpected, to increase the likelihood of continued service delivery and reduce the impact of disruption. Not having plans left DCC vulnerable to reputational risk if CLL failed, and parts of the county at risk of permanently or temporarily losing part of their leisure facilities and attractions.</p>

## How effective were DCC's arrangements for monitoring the financial and service performance of CLL?

Key Questions	Summary of Events	Conclusions
<p>Considering the above questions on formal arrangements for monitoring CLL's performance, including roles and responsibilities, timescales and deadlines, did CLL comply with the Funding Agreement and did DCC ensure that it was complied with, to ensure that:</p> <ul style="list-style-type: none"> <li>• CLL provided prompt reports on operational and financial performance?</li> <li>• CLL met all required deadlines and timescales for reporting?</li> <li>• CLL provided good-quality performance information?</li> <li>• CLL provided an annual assessment of its governance arrangements?</li> <li>• CLL's performance met required</li> </ul>	<p>(See comments above relating lack of specific requirements of the Funding Agreement relating to performance monitoring)</p> <p>The Funding Agreement of March 2004 included a requirement for CLL to attend quarterly service and funding review meetings with DCC officers.</p> <p>A timeline of DCC's monitoring of CLL is included in Appendix 1. Over the period that CLL managed the four facilities, there was a significant amount of monitoring, including:</p> <ul style="list-style-type: none"> <li>• County Council, Cabinet &amp; scrutiny committee reports</li> <li>• CET reports</li> <li>• presentations by CLL management</li> <li>• Wales Audit Office reports</li> <li>• consultant reports</li> <li>• task &amp; finish group reports</li> <li>• general monitoring by operational management</li> </ul> <p>However, officer responsibility for monitoring CLL changed hands during this period due to staffing changes at senior levels, and elected member monitoring was often shared by two scrutiny committees, the latter in particular contributing to a lack of clarity and continuity in monitoring arrangements. There was also no monitoring of the overall governance arrangements in CLL.</p> <p>For example, at officer level, the following had monitoring responsibility over the period of CLL's operation:</p> <ul style="list-style-type: none"> <li>• 2001 - Director of Culture &amp; Leisure</li> <li>• 2006 - Head of Countryside &amp; Leisure</li> <li>• 2008 - Corporate Director: Environment</li> </ul>	<p>(See above conclusions relating to lack of specific monitoring requirements of the Funding Agreement)</p> <p>The Funding Agreement did not establish clear responsibilities for monitoring CLL's performance, either at officer or elected member level and this contributed to a lack of clarity and several monitoring gaps during 2001-2010. There was regular monitoring early in the arrangement but elected member monitoring in DCC committees was sporadic and did not occur at all for long periods.</p> <p>This was not helped by DCC not clearly establishing which scrutiny committee would be responsible for monitoring CLL's performance, contributing to DCC not resolving issues early in the arrangement.</p> <p>Having DCC elected member representation on CLL's Board as Directors meant that their allegiance was to CLL rather than DCC, thus creating an awkward conflict of interest. In hindsight, DCC should not have relied solely on its Board representation to cover its interests.</p> <p>There was also a failure to act on complaints received about CLL's operations and newspaper reports on serious health and safety and equalities issues from as far back as 2006, that could have raised concerns in DCC, both at senior management and elected member levels.</p> <p>There was, however, a change of approach in 2011, as the Head of Leisure, Libraries &amp; Community Development notified CLL of more formal monitoring arrangements that were in line with the initial Funding Agreement. This monitoring was then introduced and continued for the remainder of the arrangement with</p>

Key Questions	Summary of Events	Conclusions
<p>standards to achieve its objectives?</p> <ul style="list-style-type: none"> <li>• where CLL's performance fell short of the required standards, actions were identified and monitored to improve CLL's performance?</li> <li>• CLL provided DCC with audited accounts each year?</li> </ul>	<p>2010 - Head of Leisure, Libraries &amp; Community Development</p> <p>At elected member level, over the years, CLL reports were presented to:</p> <ul style="list-style-type: none"> <li>• Lifelong Learning Scrutiny Committee</li> <li>• Environment &amp; Regeneration Scrutiny Committee</li> <li>• Resources Scrutiny Committee</li> <li>• Cabinet</li> </ul> <p>DCC also had elected members on the Board of CLL but, as they were directors of CLL, they owed duties in law to CLL and were bound to take decisions without being influenced by the fact that they were DCC Councillors. Their primary duty was to make decisions in the interest of CLL.</p> <p>Within the timeline in Appendix 1, there are some key points worth highlighting:</p> <ul style="list-style-type: none"> <li>• The first evidence of an elected member monitoring report was at Lifelong Learning Scrutiny Committee in March 2002, although CLL commenced operation in April 2001.</li> <li>• Although this review found no evidence of officer monitoring and quarterly meetings early in the relationship, there was a report to Lifelong Learning Scrutiny Committee in April 2002 that referred to quarterly officer monitoring being in place. The Committee raised some concerns over CLL's viability, even at that early stage, but received assurance from DCC's senior management. Members requested quarterly monitoring by the Committee but the next report was not until September 2002.</li> <li>• The minutes of the above Committee show evidence of good scrutiny and, in September 2002, it requested further reports, but this review found no evidence of further reports to this Committee until December 2007.</li> <li>• Cabinet requested the first study into CLL's finances in November 2006 but a report did not appear until over a year later and there is no evidence of elected member or CET monitoring at this stage. This review found no evidence of officer monitoring of CLL during this period but, if it was in place, it did not escalate any significant</li> </ul>	<p>CLL.</p> <p>While there were periods during the arrangement where this review found little or no evidence of monitoring, there were also periods where several formal reviews, internal and external were carried out in quick succession, particularly between 2008-11. At one stage CET formed the view that too many reviews had been carried out. While this is true, the value of these previous reviews must be called into question, as they had not led to a significant improvement in CLL's performance or addressed the concerns raised. It is evident that some of these reviews took a long time to complete and for reports to be produced and, in some cases, reports did not appear on the agenda at formal CET or elected member meetings, bringing into question the effectiveness and value for money achieved in some of these reviews.</p> <p>There is, though, plenty of evidence that CET was kept up to date on reviews and other issues with CLL in later years, either through email or reporting to informal CET meetings.</p> <p>However, in terms of DCC's governance arrangements, there are some evident weaknesses in management of reviews. It seems that there was not a co-ordinated approach to commissioning reviews, deadlines were not always set for reporting and no agreement was set on where the report should be reported to. Also, where deadlines were set for reporting, they were often missed.</p> <p>At times, communication between CLL and DCC was poor, leading to particular problems in 2012 when mixed messages about the deferring of the subsidy reduction led to the relationship becoming strained. Later, CLL claimed that it was not kept updated on reports being produced within DCC that then entered the public domain, although DCC claims that there was nothing new within the reports and CLL was fully</p>

## Key Questions

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concerns to senior management or elected members.

- In December 2007, Cabinet decided on closer monitoring of CLL and set up a group for this to work closer with CLL. There was acceptance that the relationship had not been maintained.
- During 2008, there was an escalation in monitoring e. g by working groups, Wales Audit Office (WAO) and DCC management. A WAO discussion paper highlighted that CLL may be in breach of its leases, but no evidence was found of this report being formally considered at senior management or elected member level. There was also work by the Corporate Director: Environment, starting to look at options for CLL, which led to a reorganisation of CLL's senior management.
- In February 2009, a WAO report was produced on leisure services that included a specific recommendation relating to CLL. While progress on the other six recommendations was regularly reported to Corporate Governance Committee, there was some confusion over the monitoring of the CLL recommendation that initially went to Lifelong Learning Scrutiny, which agreed that the recommendation was being monitored by Resources Scrutiny, but then it was eventually reported to Environment & Regeneration Scrutiny.
- In April 2009, an update report to Environment & Regeneration Scrutiny Committee, stated that there was more confidence in CLL's new management team. Members asked for, and received, an update in December 2009, which raised no serious concerns about CLL.
- By March 2010, reports on the coastal attractions and work on regenerating Rhyl were starting to appear.
- In November 2010, a report to CET by the Head of Leisure, Libraries & Community Development suggested bringing the CLL portfolio back under DCC's control as part of the wider review of Rhyl's regeneration.
- In March 2011, CLL was notified that formal monitoring arrangements of CLL's financial and operational performance were being introduced by the Head of Leisure, Libraries & Community Development.
- In May 2011, the Head of Leisure, Libraries & Community Development suggested to CET that there should be a major review of CLL but CET wanted a less comprehensive review, as this was the

aware of the situation. While this review cannot state whether this is the case, DCC did learn lessons from this later, as the Corporate Director: Customers ensured that CLL's Board Chair was kept fully informed in writing when DCC was considering taking over CLL and the due diligence exercise was arranged, right through to the time when CLL went into administration. There was also a significant level of correspondence from DCC relating to improvements required of CLL to its safeguarding and pool testing arrangements, which were also chased up at the monthly monitoring meetings with CLL. This highlighted the importance of using formal communications, rather than just relying on meetings and verbal discussions.

Up until 2010, although concerns were raised by elected members in DCC meetings and reviews were commissioned and carried out, DCC does not seem to have got to grips with monitoring CLL until the Head of Leisure, Libraries & Community Development was given the responsibility, leading to regular, minuted monitoring meetings at officer level and regular reports to CET, although the first report to elected members on the proposals for CLL was not until January 2013. However, from this point onwards, senior management and elected members were kept well-informed of developments that eventually led to CLL surrendering the leases.

Given the level of monitoring at some stages, there were missed opportunities to address CLL's poor performance, even though the Funding Agreement did not provide specific performance measures. For example, in 2008, there were questions over whether CLL was financially viable and it may have been in breach of its lease arrangements, but no action was taken to escalate these issues, although the Corporate Director: Environment appeared confident that new senior management arrangements in CLL would

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fourth review of CLL.

- The above review was very detailed and took a long time to complete and for a report to be produced. A final draft was seen during this review dated November 2012 but no evidence was seen of it being reported to formal CET or elected members, yet it raised serious concerns with 40 recommendations. There are various references to the report being presented to CET during summer 2012 but it was not evidenced in the CET reports or minutes. However, it is evident that that this report was discussed and actioned, as later correspondence shows that DCC shared the report with CLL and there is a lot of correspondence from DCC chasing up significant actions required by CLL as a result of the report, particularly relating to safeguarding and pool testing arrangements.
- In September 2012, the relationship between CLL and DCC became strained, due to CLL believing that DCC was withdrawing its planned subsidy reduction for three years. There is evidence in meeting minutes that substantiated this claim, but the Head of Leisure, Libraries & Community Development had written to CLL stating that it was a one-year deferral of the subsidy reduction and this was CET's understanding of the situation.
- In January 2013, Cabinet received a report on proposals for the regeneration of Rhyl. CLL was upset at this report, claiming that it had not been consulted on the report. DCC acknowledged this and clearly improved communication later.
- In April 2013, DCC suggested that it would withhold funding unless CLL addressed key issues arising from a review of its operations, particularly relating to safeguarding issues.
- In June 2013, CLL first suggested that it wished to surrender the leases and for DCC to take over CLL, so CET commissioned a due diligence review of the organisation. From this point, there is evidence of a lot of correspondence, communications and meetings between CLL and DCC, as well as regular formal updates to CET and elected members.
- The due diligence exercise was carried out by an independent consultant in September/October 2013.

improve the organisation. It seems from the evidence that CLL was given every chance to improve and succeed.

Key Questions	Summary of Events	Conclusions
	<ul style="list-style-type: none"> <li>• DCC’s Head of Internal Audit carried out additional work to support the due diligence exercise in November/December 2013. This work raised further concerns, particularly relating to HR and governance matters.</li> <li>• Cabinet agreed a report on the future of CLL on 14 January 2014, recommending that it was too great a risk to DCC to take over CLL. It also recommended that, due to continued poor performance with no evidence of the ability of CLL to recover/rectify together with the results of the due diligence exercise, DCC ceased to fund CLL from 1 April 2014. The results of the due diligence exercise showed that the DCC funding was not assisting in maintaining or improving tourism or that the leisure services operated by CLL continued to demonstrate best value to DCC.</li> </ul>	
<p>Did DCC ensure that its external and internal auditors had right of access to key records of CLL and to any explanations they may consider necessary from representatives of CLL?</p>	<p>The Funding Agreement of March 2004 included a requirement of CLL to co-operate with any auditing requirements that DCC required; however, DCC did not exercise this option until November 2013 when the Head of Internal Audit was asked to carry out some work following the external due diligence exercise.</p>	<p>The work carried out by the Head of Internal Audit found several areas of bad practice in CLL that could have been highlighted much earlier and action plans put in place to improve the organisation’s operational management and governance arrangements.</p> <p>While this would not necessarily have led to the survival of CLL, the situation and risks DCC later faced when considering the take-over of CLL would have led to a smoother ending to the relationship and potentially less damaging press coverage.</p>

## Summary of Conclusions

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The CLL arrangement was the first such arrangement that DCC entered into and it did not have any framework in place to follow or previous experience to draw on.

Although the original decision to set up CLL was based on an options appraisal, the impression gained during this review is that the formal arrangements were rushed and failed to put in place robust legal and monitoring documentation, risk assessments, contingency plans, exit strategies, communication arrangements, internal audit arrangements etc. Not putting these in place from day one, contributed to a failure on the part of DCC to robustly scrutinise and monitor CLL's performance and delivery of outcomes and to take remedial action at an early stage. It is also concerning that legal documentation was not signed until 2004, three years after CLL was established.

Although there was regular monitoring early in the arrangement, elected member monitoring within DCC committee meetings was sporadic and did not occur at all for long periods. There were also opportunities for elected members and senior management to take action but what could have been early warnings were not heeded. For example, there were complaints received about CLL's operations and newspaper reports on serious health and safety and equalities issues from as far back as 2006, that could have raised concerns in DCC. There were also various uncoordinated reviews commissioned of CLL that this review had difficulty in tracing through to final reports and action plans that could be enforced and monitored through a scrutiny committee.

The establishment documentation for CLL did not clearly set out the roles and responsibilities for monitoring, the scrutiny carried out was not vigorous enough to challenge CLL's poor performance and concerns were not escalated. In fact, the responsibility for monitoring within DCC over the years passed between various scrutiny committees until 2011, when monitoring responsibility passed to the Head of Leisure, Libraries & Community Development and regular monitoring and communication was put in place in line with the initial Funding Agreement. This monitoring was then introduced and continued for the remainder of the arrangement with CLL.

This review also calls into question the role of elected members on boards, as DCC had two members on CLL's Board as directors for most of CLL's life, but this meant that their duty was to represent and make decisions on behalf of CLL rather than DCC, creating a conflict of interest.

All in all, this review shows that DCC did learn lessons and implement improvements in its monitoring arrangements for CLL. For example, allocating responsibility to the Head of Leisure, Libraries & Community Development led to a robust monitoring regime and improved communication. While improvements, such as developing a partnership framework and project management methodology mean that DCC would not repeat many of the shortcomings shown in this report, there are additional specific recommendations that DCC should implement relating to arms-length or similar arrangements that it enters into in the future.

## Recommendations

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The following recommendations arise from the above review of CLL and also include some key requirements arising from the Head of Internal Audit's review referred to in the scope of this report.

- Where services are delivered through 'arms-length' organisations, DCC should have a well-developed and soundly-based strategy for the delivery of services in this manner that is clearly linked to its wider strategic objectives and priorities.
- Any future arrangements for using 'arms-length' organisations for service delivery should use DCC's framework (due for implementation in July 2015) that will provide guidance on establishing and monitoring Council-funded service providers. This will include ensuring that there are robust business cases, legal arrangements, leasing agreements, funding arrangements, risk assessments, measurable objectives and performance indicators, transparent monitoring arrangements and responsibilities, escalation procedures for non-compliance or poor performance, an exit strategy and contingency arrangements in case of failure.
- DCC should maintain a central database of funded bodies, including a checklist of documents required/seen e.g. constitution, deeds of trust, last audited accounts, memorandum and articles of association, bank statements, and signed undertakings from members of management committees.
- Where DCC appoints representatives to boards of 'arms-length' organisations in a trustee or directorship position, it needs to ensure that it has alternative arrangements in place for monitoring performance and governance rather than relying on its board representation. Training and support should be provided to DCC representatives so they are clear about their responsibilities to DCC and the 'arms-length' organisation.
- DCC should maintain a corporate register of all financial commitments to 'arms-length' organisations to assess its overall commitment. Financial vetting should be undertaken by a qualified accountant, for example, DCC could designate an accountant to each funded body depending on funding level.
- DCC should designate one committee to scrutinise performance of 'arms-length' organisations – including governance arrangements, performance, risks, financial management, legal obligations, leasing arrangements, partnership working, contractual compliance and equalities compliance. It should also have a nominated lead department for each 'arms-length' organisation to coordinate monitoring functions and grant payments.
- Monitoring arrangements for 'arms-length' organisations should be implemented as laid down in the formal documentation and concerns promptly escalated to the relevant level for remedial action to be taken at an early stage.
- It is important to maintain good communication with 'arms-length' organisations and to ensure that any key decisions are documented in case of dispute.



- Internal audit should undertake a 'health check' of a sample of funding relationships each year.

## Appendix 1 – Timeline relevant to DCC’s monitoring of CLL

March 2002	CLL’s Chief Executive and Finance Manager reported at Lifelong Learning Scrutiny Committee that CLL had met its financial goals during its first year of operation and had significantly improved the facilities and the services offered to customers. The Committee raised various questions about operational and financial management, future grant funding, marketing strategy, planned maintenance programmes and community focus.
April 2002	At Lifelong Learning Scrutiny Committee, an elected member raised concerns over whether CLL would continue to be viable after the initial three-year period of DCC funding. The Assistant Director of Culture and Leisure confirmed that, in accordance with the funding agreement and contract, the grant funding had been tapered over the three-year period and a review of the future level of funding would be undertaken in the third year. It was anticipated that there would be an increase in grant funding for CLL from external sources to enable DCC’s financial contribution to be reduced. The Assistant Director also reported that DCC held regular meetings with CLL, that CLL provided quarterly performance reports and that a DCC officer attended CLL Board meetings. Another elected member stressed the need to continue with quarterly monitoring of CLL’s performance, so a further report was requested from CLL at the Committee’s June or July meeting (this report was not provided in June 2002, as CLL’s CEO was not available to attend the meeting).
September 2002	CLL’s Chief Executive reported at Lifelong Learning Scrutiny Committee on CLL’s performance from April-July 2002. The Committee raised various questions on operational and financial management, health and safety issues, future investment in the facilities, the decline in admissions, rebuilding of the customer base, and insurance provision and liability. The Corporate Director of Resources felt that a balance sheet or cash flow information should be provided in addition to the profit and loss information and the Committee requested that the Corporate Director liaise directly with CLL to arrange for that financial information to be incorporated into the next progress report for consideration by the Committee. The Committee requested a further progress report.
April 2003	Cabinet confirmed DCC’s agreement to sign the leases for the transfer of the four properties to CLL. This report also raised concerns over some health and safety arrangements on the sites and that DCC’s Health and Safety Manager had visited to provide guidance. The report also mentioned that CLL was indicating that it would require funding after the initial three-year period at an increased level.
October 2003	Cabinet expressed its concern that the Sale and Transfer Agreement had not yet been signed and that DCC would have to underwrite any debts in the event of CLL ceasing to operate.
January 2005	At Lifelong Learning Scrutiny Committee, the Head of Countryside & Leisure explained the rationale behind the reduction in grants to external organisations and that over 50% of the total grant value was allocated to CLL, so DCC proposed to implement a 7.5% reduction in CLL’s grant funding. The trading accounts for CLL at that time showed £227k surplus and it was felt that it could sustain a higher reduction than the other external organisations. CLL was already subject to a tapering grant and had been forewarned over the last few months that there could be a reduction in its grant of between 5% - 10%.
March 2005	The first concerns were raised over CLL’s financial performance. DCC managed CLL’s creditor payments and payroll service but CLL owed DCC over £700k. The Corporate Director of Resources expressed his concern over the financial projections of CLL. The Sun Centre had experienced a 13% reduction in income, the Nova showed similar trends, while the Sky Tower was just breaking even. However, CLL’s reserves were £193k, so it still had funds to invest in the facilities.

November 2006	Cabinet endorsed a joint study to be carried out by an external consultant on behalf of the Council and CLL to review CLL's financial capacity to manage the facilities. CLL had been asked for a two-year cash flow forecast and their financial accounts.
November 2007	The Director of Environment requested an independent review on CLL's financial position as he considered that it was not sustainable beyond 12-18 months.
December 2007	The joint study report from November 2006 was presented to Lifelong Learning Scrutiny Committee, which expressed concern that the full report was not available for scrutiny and that the imminent Cabinet report should be deferred.
	Cabinet considered the same report later in the month and was informed of the likely net financial position of CLL at 31 March 2008. Members resolved to accept the report and to evaluate the proposals in more detail with CLL, taking immediate steps to re-establish relationships with CLL through new Strategic & Operational Liaison Groups. Cabinet also requested a business plan and financial recovery strategy from CLL and agreed to set up a task and finish group consisting of elected members and officers. A further report was to be presented to Cabinet in January 2008.
January 2008	Representatives from CLL attended Lifelong Learning Scrutiny Committee on 8 January to answer questions on the joint study. Members asked various questions and raised concerns over lack of communication between DCC and CLL. The Committee resolved to receive regular progress updates from the newly established Clwyd Leisure Strategic Liaison Group, electing one of its members to sit on the Group.
	Cabinet was informed that the Task and Finish Group had met and had asked the external consultant for further work, with a report to Cabinet due in February 2008.
May 2008	Due to DCC's concerns about CLL's financial performance, Wales Audit Office (WAO) produced a discussion paper as part of its regulatory work to identify possible areas for improvement. The WAO paper highlighted that DCC believed CLL to be in breach of its lease, as it had not adequately maintained the properties and because of its trading position. The paper identified several areas of concern and raised several questions for DCC; however, it is not clear where this report was considered and there is no evidence of it being presented to elected members.
July 2008	The Corporate Director: Environment produced a discussion paper on CLL to set out some options over CLL's future. The paper identified that management relationships between DCC and CLL had occasionally been difficult, leading to disputes and unresolved issues. It suggested that the future of CLL was in doubt due to declining use of the facilities and that its management structure should be changed. It suggested urgent action to discuss with CLL's Chairman and senior Board members that CLL's CEO should be replaced and a more commercially-focused management team put in place.
February 2009	Representatives from CLL provided a presentation to Resources Scrutiny Committee. Elected members asked various questions, particularly in respect of CLL's future and it was agreed that the Corporate Director: Environment should provide the Committee with an update in April 2009 on the development of options for the future of the facilities managed by CLL.
	WAO produced a report on Leisure Services that covered a wider remit than CLL. The report included seven recommendations, one of which related specifically to CLL, suggesting that, as a matter of urgency, DCC should "...agree a way forward for addressing problems associated with CLL's management of leisure facilities..."
March 2009	The above report was presented to Corporate Governance Committee. The Committee resolved that overall responsibility for the recommendations arising from the report be allocated to the Lead Member for Children's Services and Deputy Lead for Lifelong Learning and allocated to the Lifelong Learning Scrutiny Committee for monitoring.

April 2009	The WAO report was presented to Lifelong Learning Scrutiny Committee by the Head of Leisure and a representative of WAO on 22 April 2009. Members were informed that the CLL aspect of the report was being monitored by the Resources Scrutiny Committee. The Committee resolved that it should continue to monitor the implementation of the recommendations in July 2009.
June 2009	The Corporate Director: Environment reported to the Environment and Regeneration Scrutiny Committee on progress in relation to CLL. He referred to the financial position of CLL and age and condition of the facilities. He highlighted that the future of CLL assets would play an important role in the development of DCC's approach to regeneration of the North Wales coast between Prestatyn and Colwyn Bay. He also stated that improvements had been made in CLL since a restructuring but that it needed further support to improve its position, with the longer-term proposals in his report leading to the development of a series of projects to refurbish or redevelop the facilities. The Committee requested a further report in December 2009 to provide an update on CLL's financial position.
July 2009	Resources Scrutiny Committee agreed that CLL reports would be considered by the Environment and Regeneration Scrutiny Committee in future to avoid duplication and role confusion.
December 2009	The Corporate Director: Environment reported to the Environment and Regeneration Scrutiny Committee, providing an overview of CLL's financial position, operational issues and development proposals. Members asked various questions and agreed to visit the facilities on 2 February 2010.
February 2010	Elected members visited CLL facilities.
March 2010	Environment and Regeneration Scrutiny Committee considered the Corporate Director: Environment's report updating members on the appointment of an external consultant to the Rhyl Attractions Redevelopment Project. The consultants presented a vision and options for the coastal area but the Committee requested an additional report on proposals for the Nova Centre in approximately three months' time.
July 2010	External consultants produced a report entitled ' <i>Organisational Development Review</i> ' following a request by DCC and CLL. The report included recommendations for improvement, but there is no evidence of the report being considered by elected members.
October 2010	The Head of Leisure, Libraries & Community Development set up monitoring arrangements of CLL at officer level.
November 2010	CET considered a report on CLL and DCC's major arts facilities that provided a range of options from stopping subsidy altogether through to expanding the role to encompass other DCC assets. The suggested option was to negotiate with CLL to bring the asset portfolio back under DCC's control, as this would benefit DCC in its regeneration plans for the area.
January 2011	The Head of Leisure, Libraries & Community Development provided a verbal report at the request of the Environment and Regeneration Scrutiny Committee relating to the Nova Centre and other coastal facilities. The Committee was informed of the new monitoring arrangements for CLL and the need to generate a business case with a view to generating more income to sustain and improve CLL's trading position. He explained that he was pleased with the development of the CLL Board. The Committee accepted his report and noted the current position.

February 2011	External consultants produced a report entitled <i>'Review and Options for Future Provision of the Leisure Officer for Rhyl and Prestatyn'</i> following a request by DCC and CLL. The report included recommendations for improvement on a wider remit than CLL, but there is no evidence of the report being considered by elected members. In relation to CLL's facilities, the report suggested that it was difficult to make a case for two strategic public swimming pools in Rhyl and Prestatyn, and suggested closure of the Nova. It also suggested a move away from large landmark facilities, such as the Nova and Sun Centre towards a new aquatic centre within the town centre envelope.
March 2011	CET received a report on the Sky Tower from the Council's Property Manager, referring to the condition of the facility and the fact that the lease was due to expire on 31 March 2011. The report concluded that CLL had not adequately maintained the facility under the terms of the lease and that it was now unfit for operation. CET agreed not to renew the lease until the required work was undertaken.
	CLL's financial statements for the year ended 31 March 2011 included an Independent Auditor's Report stating that CLL was reliant on DCC's continued financial support but that this could not be confirmed as sustainable. CLL had negative reserves of approximately £460k due to the position of the pension deficit scheme.
May 2011	The Head of Leisure Libraries & Community Development wrote to the Chair of CLL's Board confirming the new arrangements for financial monitoring of CLL. The letter also confirmed that DCC's subsidy for 2011/12 was to remain the same as the previous year but that DCC would reduce its subsidy in subsequent years, stating an indicative expectation of a £50k per year reduction for three years from 2012. The letter also explained that DCC had appointed a Business & Performance Officer to act in a liaison role between DCC and CLL to provide support and introduce regular financial and operating performance monitoring processes. CLL would be required to provide monthly income and expenditure accounts and cash flow statements, and an annual budget projection in advance of the following year.
	The Head of Leisure, Libraries & Community Development reported to CET on CLL's current financial position and to seek 'spend to save' funding for a project to review the operation. The report mentioned that DCC would like to reduce the annual subsidy by £50k from April 2012. A project brief and 'spend to save' bid were presented to CET, with the scope to include organisational capability, operational capability, business planning and marketing, and the corporate environment. CET was concerned that this was the fourth review of CLL and was not clear whether the results would be any different to previous reviews. Also, CET felt that the parameters of the review needed to be clear in terms of the regeneration of Rhyl, so it suggested that a less comprehensive review be carried out. The Head of Leisure, Libraries & Community Development therefore emailed CLL to arrange a meeting to discuss the scope of the review, to ensure that it focused on areas that had not previously been reviewed to avoid duplication.
July 2011	The first of the monthly monitoring meetings was held with CLL.
October 2011	CET received an update on an incident with the roof at the Sun Centre. CET agreed that the Corporate Director: Regeneration & Business Transformation should set up a group to discuss a detailed analysis and report back to CET.
November 2011	The Head of Leisure, Libraries & Community Development reported to CET on an initial options appraisal for the Sun Centre. CET agreed that he should discuss the option of CLL carrying out the remedial work with CLL. At its next meeting, CET agreed that it needed to gain an understanding of the cost of repairing the Sun Centre roof. The Corporate Director: Regeneration & Business Transformation was tasked with preparing a report to informal CET later in the month covering the costs and risks.
January 2012	CET minutes show that two sets of costs were presented to it on the repairs to the Sun Centre roof but that to be able to open in compliance with health and safety regulations would cost £157k.

March 2012	CLL's financial statements for 2011/12 included an Independent Auditor's Report stating that CLL was reliant on DCC's continued financial support and that there had been a staged reduction in DCC's grant funding, but that the Board had prepared management projections to demonstrate that CLL was deemed as a going concern within that context. CLL had negative reserves of approximately £857k due to the position of the pension deficit scheme.
May 2012	CET minutes record that it requested a report on CLL on 11 June 2012 from the Programme and Project Team Manager but this report was delayed.
June 2012	A copy of the draft report 'Review of Clwyd Leisure Ltd.' by the Programme and Project Team Manager stated that it would be presented to CET and shared with CLL's Board. It covered the condition of the properties, health and safety concerns, business management systems, financial viability, leases and HR issues.
August 2012	The Head of Communication, Marketing & Leisure gave CET a verbal update on CLL. A review paper was due to be presented to CET on 1 October 2012. The Head of Communication, Marketing & Leisure wrote to the Chair of CLL's Board to confirm that DCC's monitoring arrangements were still in place for CLL and that the subsidy was expected to reduce by £50k in 2013 and thereon for a further two years.
September 2012	CET minutes for 17 September state that <i>the 'Review of Clwyd Leisure Ltd.'</i> report had been submitted to the Head of Communications, Marketing & Leisure for presentation to CET on 1 October 2012 but it was not presented on that date. On 21 September, the CEO received an email sent on behalf of the Chair of CLL expressing concerns about the relationship between DCC and CLL. The email referred to a good relationship built up with the Corporate Director: Regeneration & Business Transformation, including that she apparently informed CLL's Board that the proposed £150k reduction in DCC's funding for 2012/13 to 2014/15 would not be implemented and that she confirmed this in emails dated 29 November 2011, 30 November 2011 and 13 March 2012. The concerns had now arisen due to CLL receiving a letter from the Head of Communication, Leisure & Marketing referring to a one-year deferment of the grant reduction rather than a three-year withdrawal of the reduction. A report on the Sun Centre by the Corporate Director dated 28 November 2011 states that <i>"It is proposed that DCC do not adjust the current level of subsidy provided to Clwyd Leisure for the next three years..."</i> The Corporate Director: Customers replied to the Chair of CLL stating that the understanding of CET was that the subsidy reduction would only be relaxed for one year to allow the Sun Centre roof to be repaired by CLL and that he had contacted the previous Corporate Director who confirmed this view. The response clearly states that the £50k subsidy reduction would be applied in 2012/13 and 2013/14.
October 2012	The Head of Communications, Marketing & Leisure & Head of Housing & Community Development reported to CET on an options appraisal and way forward for the Rhyl Pavilion and Sun Centre following a feasibility study by the DCC's leisure development partner. The report highlighted the poor standard of leisure provision and building condition at the Sun Centre, CLL's failure to maintain the facility, and the concerns over financial viability of CLL. The proposed options formed part of a wider review of leisure and visitor provision in Rhyl but clearly stated that CLL was not a viable management option for the future. CET agreed to support the proposed way forward and delivery options, to look at a business case and discuss again after more work had been done. CET emphasised the need to communicate with CLL and for a report to be presented to Cabinet briefing.
November 2012	A revised draft of the report <i>"Review of Clwyd Leisure Ltd."</i> dated 1 November 2012 includes a lot more detail about the review and its outcomes, including the proposed continuation of grant reduction from DCC in 2013/14 and for the next three financial years. The report includes a risk register with 27 risks identified to deal with the issues highlighted in the report and a recommendations section with 40 recommendations.

	<p>The Head of Communications, Marketing &amp; Leisure and Head of Housing &amp; Community Development presented a report to CET on 26 November on the next steps following the October options appraisal for the Rhyl Pavilion and Sun Centre. In relation to CLL, the update stated that initial discussions had been held with CLL with regard to an exit strategy for the trust in Rhyl, allowing it greater focus on the Nova. The report also included progress on recent work undertaken that included a recommendation to demolish the Sun Centre and improve the Pavilion Theatre. Attached to the report was a full report by DCC's leisure development partner called '<i>Development Proposal for The Regeneration of Rhyl</i>' that provided more details on the proposals and indicative costings. CET agreed that a shadow board be set up for this programme of work.</p>
January 2013	<p>On 15 January, Cabinet received a report on the above proposals that included recommending the acknowledgement of the principle of demolishing the Sun Centre. The Cabinet report stated that further consideration needed to be given to the Nova Centre options as Part 2 of the Project Plan to report back in March 2013. The Cabinet minutes state that the Leader wished to clarify the references to CLL within the report, advising that DCC also had a responsibility for the leisure offer and he reported upon the difficulties in maintaining and investing in the Sun Centre for various reasons. After a positive discussion on the proposals, Cabinet approved the proposed projects in principle.</p>
February 2013	<p>CLL wrote a detailed letter dated 28 February to DCC's CEO regarding the Cabinet report of 15 January 2013, as it had sought legal counsel due to what the letter referred to as ..."<i>serious implications of the report on the future of Clwyd Leisure</i>". The letter sought clarification of the relationship between CLL and DCC, the future of the Sun Centre and CLL, stating that it had not been consulted on the report, which included references to it not being a viable management option for the future. The letter mentions CLL earmarking its cash reserves for redundancy payments and other associated winding up costs and requested an urgent meeting with DCC to discuss a way forward. The letter also included legal advice relating to lease agreements between DCC and CLL.</p>
March 2013	<p>CLL's letter was acknowledged and then responded to on 12 March by DCC's CEO. The letter conceded that DCC should have shared the Cabinet report with CLL, although CLL was aware of the issues covered in the report from previous discussions. DCC's response acknowledged that it could not terminate the Sun Centre lease and stated that there had been regular communication about reducing DCC's subsidy. The response welcomed further discussion with CLL and highlighted the fact that DCC had requested an invitation to CLL's Board since July 2012. An offer was made for CLL to be represented on the shadow project board for the proposed aquatic centre.</p>
April 2013	<p>On 9 April, CLL responded to DCC's letter of 12 March highlighting its continued concerns over the Cabinet report and its impact on CLL's employees. The letter disputes CLL's awareness of the proposed content of the Cabinet report. CLL also gave formal notice that it did not consent to the grant reduction of £50k from 1 April 2013, quoting the terms of the funding agreement and requesting reinstatement of the grant to the 2003/04 level of £335,415. The letter asked for some meeting dates in the next two to three weeks.</p>
	<p>DCC responded to this letter on 25 April agreeing that a meeting was needed, suggesting either 14 May or 21 May. The letter concluded by mentioning that DCC had written to CLL twice asking for its response to the "...<i>Review of Clwyd Leisure completed last year.</i>", which confirms that the report was shared with CLL.</p> <p>A further letter requesting a response to key issues raised in the report on CLL was sent to CLL on 29 April following CET on that same date. The letter cited the funding agreement requiring CLL to provide the information and that DCC would consider withholding funding until assurance was provided by CLL.</p>
May 2013	<p>CLL responded to DCC on 3 May regarding the review of CLL report explaining actions being taken to address safeguarding issues and pool testing.</p>

June 2013	CLL's Board met on 4 June. The agenda for the meeting shows that there was to be discussion with DCC on the funding agreement and a way forward.
	Following the above meeting, it was apparent that enhanced CRB checks were not in place for lifeguards at the Sun Centre. The Corporate Director: Customers emailed CLL's General Manager on 6 June to express DCC's concern relating to CLL's safeguarding arrangements, requesting information on all CLL employees requiring a CRB and whether these were in place, and suggesting that supervision arrangements be reviewed in the interim.
	The Corporate Director: Customers emailed CLL's Board Chair on 17 June in response to an email from the Chair on 6 June. The Corporate Director's email quotes the Chair's email, referring to CLL's suggestion that they surrender the leases and hand back facilities to DCC, including a TUPE transfer of CLL staff to DCC. He outlined DCC's position to say that it would look at the situation favourably, pending a full risk assessment and political approval. He suggested four key work streams – legal, HR, financial and operations.
July 2013	A Cabinet Briefing report dated 1 July informed Cabinet that CLL had indicated that it wished to surrender the leases on the Sun Centre, Nova and Bowling Centre. The report requested approval to undertake a due diligence exercise, which would inform a report to Cabinet in September 2013.
	A letter from CLL's Board Chair on 9 July stated that the only feasible way forward was for CLL to be handed back to DCC, as CLL would become financially unviable without DCC's financial support and CLL would agree to surrender the leases.
	A letter in response from the Corporate Director: Customers stated that DCC would carry out a due diligence exercise and planned to report to Cabinet on 23 September 2013.
September 2013	The due diligence exercise was completed by an external consultant.
	The Corporate Director: Customers wrote to CLL's Chair on 11 September with an update of the latest position relating to the due diligence report due to be finalised by 15 October and planned Cabinet report on 29 October. The letter stated that DCC wished to share the information with CLL's Board before publication, asking them to convene a Board meeting in early October.
	An overview of the due diligence report was presented to CET on 30 September. The report recommended that CET note the results to date and support the creation of a fuller report for Cabinet briefing on 7 October, a further CET report on 14 October and final report to Cabinet on 29 October or thereafter. CET's minutes record that DCC officers were attending a CLL Board meeting on 7 October and required a further report before November.
October 2013	The Corporate Director: Customers emailed CLL's Chair on 16 October informing him of DCC's timescales for the production of the Cabinet report so that CLL was clear about what was happening. The email also mentioned an option of DCC's Head of Internal Audit verifying some information from the due diligence exercise.
	The Corporate Director: Customers emailed CLL's Chair on 18 October, attaching the final report on the due diligence exercise to be discussed with CLL at the meeting on 29 October.
	CET received a further update on the outcome of the due diligence exercise on 28 October. The report recommended that Cabinet agree in principle to the request of the CLL Board that control of CLL be transferred to DCC, that the transfer take place subject to the due diligence exercise providing a satisfactory outcome and it also recommended further work by DCC's Internal Audit service.
	Notes of a meeting of the CLL working group on 29 October show that it discussed the transfer of CLL to DCC. CLL was advised of progress and further reporting arrangements and that the Head of Internal Audit would be carrying out further work to resolve outstanding issues from the due diligence exercise. As there was a Cabinet briefing due on 5 November, it was suggested that a further meeting of the Working Group be convened for 6 November.



November 2013	A report was presented to Cabinet briefing on 5 November, which was the same report presented to CET on 28 October.
	DCC's Head of Internal Audit carried out additional work to support the due diligence exercise, issuing a report to senior management on 12 November raising some concerns, particularly relating to HR and governance matters.
	The Corporate Director: Customers wrote to CLL's Chair on 14 November, advising him that the Cabinet report had been withdrawn due to the concerns raised by the Head of Internal Audit, as outlined in the letter. The Cabinet report had been rescheduled for 17 December.
December 2013	DCC's Head of Internal Audit carried out additional work on 12 December on CLL's HR files to clarify issues raised in his previous review.
	A Daily Post article on 13 December stated that CLL facilities could be forced to close and that its staff had been warned of the threat of redundancy. This came from an official statement by CLL, claiming that DCC was no longer willing to fund it sufficiently, placing it at risk of insolvency. DCC was not aware of this press release.
	The Corporate Director: Customers emailed CLL's Chair on 16 December requesting a clear and unequivocal statement from the CLL Board by 17 December as to its current position regarding going into administration.
	CLL's Board responded to the Corporate Director: Customers by email on 18 December to state that CLL's position remained that it may be necessary to cease trading on 31 March 2014 but that it awaited DCC's decision on whether it intended to take over CLL.
	The Corporate Director: Customers emailed all DCC elected members on 20 December to inform them of CLL's response and that, due to the risks stemming from ineffective governance of CLL and HR risks, DCC officers were not in a position to recommend takeover within the Cabinet report due on 14 January 2014.
January 2014	Cabinet considered the report on the future of CLL on 14 January recommending that it was too great a risk to DCC to take over CLL. It also recommended that, due to the results of the due diligence exercise, DCC ceased to fund CLL from 1 April 2014, and that current funding available (approx. £200k) be used to support the implications of the decision and develop an interim offer while DCC decided upon a longer-term coastal offer. The report referred to the Funding Agreement and the basis of funding by DCC. The results of the due diligence exercise showed that the funding was not assisting in maintaining or improving tourism and that leisure services failed to demonstrate best value to DCC. Cabinet agreed to call on CLL's Board to state its future plans in the short and medium terms by 31 January 2014.
	A letter from CLL's Board Chair to the Corporate Director: Customers on 23 January stated that CLL proposed to relinquish and hand back the leases on the three facilities on 1 February 2014 and to hand over all fixed assets and equipment and a sum of £75k.

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## Corporate Governance Committee Forward Work Programme

<b>20 May 2015</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance, Alan Smith / Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit, Ivan Butler / Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	Councillors Martyn Holland / Hugh Evans
	5	Forward Work Programme	
		<b>Reports</b>	
	6	Budget Process 2016/17	Head of Finance & Assets, Paul McGrady
Page 291	7	Internal Audit Annual Report	Head of Internal Audit, Ivan Butler / Cllr Julian Thompson-Hill
	8	Procurement of Construction Services Report	Acting Strategic Procurement Manager / Stuart Andrews
	9	Senior Information Risk Officers Report	Alan Smith
	10	New Model Constitution	Head of Legal, HR and Democratic, Gary Williams
	11	Corporate Governance Committee – Terms of Reference Update	Head of Legal, HR and Democratic Services, Gary Williams
<b>27 July 2015</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance, Alan Smith / Keith Amos
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	4	Feedback on Corporate Equality Meeting – verbal	Councillors Martyn Holland / Hugh Evans
	5	Forward Work Programme	

## Corporate Governance Committee Forward Work Programme

		<b>Reports</b>	
	6	Budget Process 2016/17	Head of Finance & Assets, Paul McGrady
<b>28 Sept 2015</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance, Alan Smith / Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit, Ivan Butler / Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	Councillors Martyn Holland / Hugh Evans
	5	Forward Work Programme	
		<b>Reports</b>	
	6	Budget Process 2016/17	Head of Finance & Assets, Paul McGrady
<b>18 Nov 2015</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance, Alan Smith / Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit, Ivan Butler / Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	Councillors Martyn Holland / Hugh Evans
	5	Forward Work Programme	
		<b>Reports</b>	
	6	Budget Process 2016/17	Head of Finance & Assets, Paul McGrady
<b>27 Jan 2015</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator, Rhian Evans

## Corporate Governance Committee Forward Work Programme

	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance, Alan Smith / Keith Amos
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		<b>Reports</b>	
	6	Budget Process 2016/17	Head of Finance & Assets, Paul McGrady

**NB** 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.

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