

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 27 January 2016 at 9.30 am.

PRESENT

Councillors Stuart Davies, Peter Duffy and Jason McLellan (Chair).

Councillor Meirick Lloyd Davies, Arwel Roberts and Julian Thompson-Hill attended as observers.

ALSO PRESENT

Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (SG), Project Manager - NE Hub (JE) and Committee Administrator (CIW).

Also in attendance - Chair of Governors of Ysgol Mair, Rhyl (Gill Greenland).

The Chair informed Members that Councillor B. Mellor had terminated his membership of the Committee, and thanked him for his contribution and work undertaken for the Committee.

1 APOLOGIES

Apologies for absence were received from Councillors Ann Davies and Alice Jones.

2 DECLARATION OF INTERESTS

No Members declared any personal or prejudicial interests in any business identified to be considered at the meeting.

3 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on the 18th November, 2015.

Matters arising:-

5. Ysgol Mair, Rhyl – Internal Audit Report:- In response to issues raised by Councillor P.C. Duffy and the Chair that the minutes had not reflected the discussion at the meeting, the HLHRDS provided details of the protocol in respect of the provision of minutes which was not to provide a verbatim record of the

discussion. He explained that the purpose of the minutes was to reflect the sense of the meeting and confirmed that Members concerns would be noted.

(GW to Action)

8. Corporate Risk Register: - Mr P. Whitham questioned at what point the Corporate Governance Committee would be afforded the opportunity to influence the impact of the Well-being of Future Generations Act in respect of the management of risk. The Chair confirmed that this matter had been discussed by the Scrutiny Chairs and Vice Chairs Group in December. The HLHRDS confirmed that the Communities Scrutiny Committee would, on the 4th February, be holding a workshop to consider this matter and an invitation to attend had been extended to all Members. With regard to the issue of risk management there was an Implementation Board for the Act from which various work streams would be identified and these would be considered by officers in February. These issues would include how Scrutiny would examine the implementation and monitoring of the Act and consideration of possible changes to reporting templates to encompass the requirements of the Act.

The HLHRDS explained that he anticipated that a report would be compiled in respect of the risk element. In response to a request from Mr Whitham, it was agreed that the Head of Business Planning and Performance provide an update report to the March meeting of the Committee in respect of the management of risk, and incorporating the wider interests of the Committee in respect of the Act.

(GW, AS to Action)

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

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 they involve the likely disclosure of exempt information as defined in Paragraphs 14 and 18 of Part 4 of Schedule 12A of the Local Government Act 1972.

5 YSGOL MAIR RHYL- FINANCIAL RECOVERY PLAN

A confidential report by the Head of Internal Audit (HIA), which provided details of Ysgol Mair's Financial Recovery Plan (FRP), had been circulated previously.

Members were informed that due to a pending Estyn Inspection at Ysgol Mair the Head Teacher was unable to attend the meeting. The school was represented by Ms Gill Greenland, Chair of the Governing Body, and the Chair of the Committee thanked Ms Greenland for attending the meeting.

The HIA introduced the report and explained that the Internal Audit report in August had highlighted a financial deficit at Ysgol Mair, and that the School needed to

develop a robust FRP. The HIA confirmed that subject to the implementation of the FRP, Appendix A, the Action Plan within the Audit Report had been progressed. It was explained that as the proposed FRP involved a significant level of change and meetings had been held with Strategic HR to discuss processes and with Education inform them of proposed actions.

Ms G. Greenland provided background details pertaining to the school which included:-

- At no point had the school previously been in deficit.
- In 2015 the school had been £11k in credit.
- Surprisingly a £42k deficit had been identified.
- Problems had emanated following the resignation of the Financial Advisor.
- The Deputy Head had been assigned to assist a school in Flintshire.
- The Diocese had agreed to advertise the post of Head teacher.
- There would be no Deputy Head teacher.
- The school was located in a deprived area, with some pupils having challenging behaviour.
- There had been Union involvement and help provided by HR.
- An invitation had been received to visit a school in Mochdre which operated without a Deputy Head teacher.
- Assistance and advice had been received from the School Funding Manager.

The Chair congratulated the school on having addressed other issues of concern identified but stressed the need to address the implementation of the FRP.

Councillor P.C. Duffy questioned why the financial problems now being experienced had not been identified at an earlier stage, particularly by the School's Governing Body. Councillor Duffy explained that he understood that the appropriate policies and procedures had already been implemented previously to prevent such anomalies. Ms Greenland felt that the main problems had emanated from the School's Financial Advisor having vacated the post. The Chair expressed concern that another school which had experienced similar difficulties had not had a Financial Advisor. He felt this was an issue which should be examined County wide and highlighted need for the provision of robust financial advice and guidance. The HIA outlined the changes which had now been implemented to the process and emphasised the importance of the role of Finance Managers.

Councillor S.A. Davies explained that the nursery provision at the school was not a statutory requirement, and suggested that a substantial saving could be achieved by not providing this facility. He felt that enhanced advice and information on the financial management of the school was required and would be beneficial.

Mr P. Whitham made reference to previous problems which had emanated from the absence of appropriate financial management arrangements, and highlighted the need to examine possible recurring themes and trends. He stressed the need for assurances that financial arrangements and appropriate mechanisms were in place to avoid any future reoccurrences. Councillor J. Thompson-Hill outlined the role of Finance Cluster Managers whose remit included flagging up potential problems to

the respective Governing Bodies. Ms Greenland explained that Ysgol Mair was not part of the Rhyl Finance Cluster and it was suggested that this may have contributed to the anomalies experienced.

The Chair emphasised the need to address the issue of Monitoring Ysgol Mair which would involve discussions with HR, in respect of staffing matters with regard to the FRP, and the setting of timescales with a view to reporting back at the commencement of the academic year. The HIA reminded Members that the FRP was a two year Plan. Details for monitoring the FRP by the 151 Officer and the Education Planning and Resources Manager were outlined by the officers. The HLHRDS outlined the remit and monitoring roles undertaken by the School Standards Monitoring Group and the School Budget Forum.

The Committee considered the monitoring process and agreed that the School Funding Manager, Education Planning and Resources Manager and Head teacher be requested to attend the September, 2016 meeting of the Committee to provide a progress report in respect of the implementation of the FRP.

With regard to the monitoring mechanisms it was agreed that the Internal Audit process for school finances be re-examined, and the HIA circulate copies to Members of the Committee. It was agreed that Members views could be presented to the March, 2016 meeting of the Committee and the matter referred to the Scrutiny Chairs and Vice Chairs Group for deliberation.

In response to concerns expressed by the Committee regarding the perceived lack involvement and support from the Diocese, it was agreed that the HLHRDS write to the Diocese highlighting the following issues and concerns raised by Members of the Committee:-

- The Committee having received a report about a FRP in respect of one of their schools.
- To question the extent as to which the Diocese provides support and advice to schools and assists with financial issues.
- Request for an update in respect of the advertisement for a post within the school.
- The provision of details of any other issues of concerns which they might be aware of, in respect of Ysgol Mair or any other Diocese schools in the County.

Following further discussion, it was:-

RESOLVED – that:-

- (a) the Corporate Governance Committee receive and note the contents of the report.*
- (b) the School Funding Manager, Education Planning and Resources Manager and Head teacher be requested to attend the September, 2016 meeting of the Committee to provide a progress report on the implementation of the FRP*
- (c) the Internal Audit process for school finances be re-examined, and the HIA circulate copies to Members of the Committee.*

(d) *Members views be presented to the March, 2016 meeting of the Committee and the matter referred to the Scrutiny Chairs and Vice Chairs Group for deliberation.*

(e) *the HLHRDS write to the Diocese highlighting the issues and concerns raised by Members of the Committee.*

(GW, IB, RW to Action)

At this point the meeting resumed to PART I

PART I

6 BUDGET PROCESS 2015/16

A report by the Chief Finance Officer (CFO), which provided an update on the process to deliver the revenue budget for 2016/17, had been circulated previously.

Councillor J. Thompson-Hill, assisted by the Chief Accountant (CA), provided a detailed summary of the report which included the following information:-

- The latest progress with the budget setting process had been presented to a Member Budget Workshop on the 14th December, 2015. An outline of the range of savings proposals considered had been outlined.
- The draft Welsh Government budget and the Provisional Settlement to local government had been announced later than usual this year as a consequence of the timing of the UK Government's Autumn Spending Review. This had been factored into the budget planning process and resulted in the package of proposals being taken for approval in December. The package totalling £1.2m contained efficiency savings and technical adjustments, but did not include any proposals to cut services or increase charges.
- The implications of the Local Government Settlement for 2015/16 had been summarised in the report, with the Settlement being much better than expected.
- A report to Council in December had detailed the latest budget position and assumptions indicated a remaining budget gap of £2m. Details had been provided at the budget workshop with a summary included in the report.
- Details of the changes to the Settlement value, which allowed for a proposal to lower the level of proposed Council Tax rise from 2.75% to an average of 1.5%, had been included in the report.
- The assumptions applied had resulted in a positive funding position of £480k, with the Settlement for 2016/17 having been better than expected for one-year. A table summarising the budget planning position for future years had been provided. Details of risks had been outlined, together with, the actions implemented to mitigate them.
- The Final Local Government Settlement would not be published until March. However, assurances had been provided that there should be no negative movement between the Provisional Draft and Final Settlement values. The final Welsh Government budget would be put before the Senedd on the 8th March.
- The Freedoms & Flexibilities process had ended with the setting of the 2016/17. Monitoring of budget performance would continue to be reported to cabinet, with the Cutting Our Cloth Task & Finish Group monitoring the impact of budget decisions.

- It was confirmed that a new budget process would be developed for 2017/18.
- The final phase of the two-year Freedoms & Flexibilities budget process had been presented. The vast majority of savings, over 80%, had been efficiency or modernisation savings resulting in a less significant impact on services to the public.
- It was explained that the aim of the budget process had been to ensure that the Council delivered a balanced budget. It was likely that funding reductions to LA's in Wales would continue in the medium term, with budget decisions becoming more difficult and requiring a longer lead-in time to deliver.

Councillor Thompson-Hill outlined the timescales pertaining to the budget reporting process and sought guidance regarding the timing of the submission of future reports. The Chair felt that it would be beneficial if the current process of the inclusion of a standard budget process business item on each agenda of the Committee be continued, along with the provision of Member Budget Workshops. He also felt there was a need to increase consultation with the public and acknowledged that there were differing views regarding the adoption of a new consultation process. It was suggested and agreed that the respective Political Groups be contacted with a view to encouraging Members to put forward their views and suggestions in respect of the budget process. Councillor S.A. Davies expressed his support for the continuation of the current process, and highlighted the need and importance of scrutinising the adopted mechanisms. Mr P. Whitham supported the view expressed and suggested that failure to continue to progress could present a corporate risk to the Authority.

The HLHRDS outlined the possible technical issues and constraints which could arise around finance with regard to the progress of the Local Government (Wales) Bill, and the subsequent merging of Local Authorities.

Mr P. Whitham suggested that as the report presented the final phase of the two-year Freedoms & Flexibilities budget process a post completion review should be undertaken to ascertain the aims, achievements, successes and lessons learned with regard to assisting with future progress. The Chair made reference to the Cutting Our Cloth Task and Finish Group which monitored the impact of the budget decisions taken as part of the process, this being achieved through evidence gathering and examining the mechanisms utilised and adopted.

RESOLVED – *that the Corporate Governance Committee:-*

- receives and notes the contents of the report on the latest update.*
- request that the Political Groups encourage Members to put forward their views, and*
- agrees that a further update report be presented to the March, 2016 meeting of the Committee.*

(RW, SG, GW to Action)

7 TREASURY MANAGEMENT REPORT

A report by the Chief Finance Officer (CFO) had been circulated previously.

The Chief Accountant (CA) explained that the Treasury Management Strategy Statement (TMSS), Appendix 1, indicated how the Council would manage its investments and its borrowing for the coming year, and set the policies within which the Treasury Management (TM) function operated. 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 2015/16.

It was explained that the figures contained in the TMSS were draft and would be updated prior to approval by Council, based on the latest Capital Plan and Housing Stock Business Plan in February, 2016.

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management, the "CIPFA TM Code", required the Council to approve the TMSS and Prudential Indicators annually. The Corporate Governance Committee was required to review the report before its approval by Council on the 23rd February, 2016.

The Committee would receive an update on the TM activities twice annually and TM involved looking after the Council's cash, which was a vital part of the Council's work, as approximately £0.5bn passed through the Council's bank account annually. At any one time the Council had at least £10m in cash so an assurance was required that the best rate of return possible was achieved without putting the cash at risk, which was why money was invested with a number of financial institutions.

When investing, the Council's priorities were to:-

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

The TMSS for 2016/17 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.

With regard to Prudential Indicators, the Council Fund indicators were based on the latest proposed capital bids and block allocations, and these would be updated prior to the report being submitted to Council for approval on the 23rd February, 2016.

The Housing Revenue Account indicators had been calculated based on the latest estimates from the Housing Stock Business Plan, but would be revised prior to submission to Council once the final Housing Stock Business Plan had been agreed. The individual Prudential Indicators recommended for approval had been set out in Appendix 1 Annex A.

The CA invited Members attention to the following areas incorporated in Appendix 1 to the report:-

- Minimum Revenue Provision Statement
- Council Fund Ratio
- Capital Financing Requirement and total debt
- The implications of the PFI element and reduction of cash held
- Approved Investment Counterparties and Limits
- Training Requirements

In reply to a question from Councillor S.A. Davies, Councillor Thompson-Hill and the CA provided details of the Council's current and historic borrowing arrangements, rates and costs.

Mr P. Whitham highlighted the issue of the provision of Member Training as referred to on Page 38, 8.1.1 of Appendix 1. The HLHRDS made reference to the various methods adopted for the provision of training, and explained the importance of making sure that adequate information was provided to the respective Members to ensure an understanding of the relevant processes. Members agreed that a training session on Treasury Management be delivered 30 minutes prior to the next meeting of the Committee, which had a business item pertaining to Treasury Management, and that the invitation to attend be extended to all Members.

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

- It was agreed that further details pertaining to the abolition of the PWLB could be provided when available.
- Confirmation was provided that the Council's banking arrangements were subject to the Procurement Strategy.
- The Capital Monitoring report was presented to Cabinet.
- Details of the implementation of REPOs could be included in the Members Training session in September, 2016, following the receipt and clarification of details.
- The Audit Review to be undertaken in February, 2016 to be presented to Committee in April, 2016.

Following further discussion, it was:-

RESOLVED – *that the Corporate Governance Committee:-*

- (a) *receives and notes the TMSS for 2016/17 and the Prudential Indicators for 2016/17, 2017/18 and 2018/19 (Appendix 1).*
- (b) *notes the TM update report (Appendix 2).*
- (c) *agrees a training session on Treasury Management be delivered and that the invitation to attend be extended to all Members.*
- (d) *requests that further details pertaining to the abolition of the PWLB be provided when available.*
- (e) *agrees that the Audit Review to be undertaken in February, 2016 be presented to Committee in April, 2016, and*
- (f) *requests that details of the implementation of REPOs be included in the Members Training session in September, 2016.*

(RW, SG, IB to Action)

8 CORPORATE GOVERNANCE COMMITTEE SELF EVALUATION REPORT

Members agreed that in view of the absence of some Members of the Committee, and pending the appointment of a Member to the vacancy on the Committee, this item be deferred to the March, 2016 meeting of the Committee.

The Head of Internal Audit agreed to send an e-mail to Members of the Committee highlighting the significance and interest of this item to new Members of the Committee.

Members agreed that the Corporate Governance Committee meeting scheduled for the 16th March, 2016 convene 30 minutes earlier than scheduled, at 9.00 a.m. to accommodate consideration of this business item.

RESOLVED – *that:-*

- (a) the item be deferred and considered prior to the scheduled meeting of the Committee on the 16th March, 2016.*
- (b) the meeting scheduled for the 16th March, 2016 convene 30 minutes earlier than scheduled, at 9.00 a.m. to accommodate consideration of this business item, and*
- (c) the Head of Internal Audit send an e-mail to Members of the Committee highlighting the significance and interest of this item to new Members of the Committee.*

(IB and GW to Action)

9 CORPORATE FLEET MANAGEMENT - INTERNAL AUDIT REPORT

A report by the Head of Internal Audit (HIA), on a recent Internal Audit report on Corporate Fleet Management that received a 'Low' assurance rating, had been circulated previously.

The HIA introduced the report which sought the Committee's views on the Internal Audit report, and agreement of the assurance that the Action Plan within the report was being implemented effectively within the agreed timescales. He confirmed that most of the work identified had been completed and provided a brief outline of the full Internal Audit report which had been included as Appendix 1. The key issues arising had been summarised in the report.

It was confirmed by the HIA that prior to the issue of the final audit report an 'escalation meeting' had been held with the Head of Highways and Environmental Services, Corporate Director: Economic and Community Ambition, Lead Cabinet Member and senior managers to discuss the audit report and agree an Action Plan.

In response to concerns raised by Councillor P.C. Duffy regarding the importance of the Committee being presented with a written report, the HIA confirmed that he had explained at the previous meeting that due to timescales it would not be possible to submit a written report to this meeting, and it had been agreed that a verbal update be provided.

The Project Manager (NE Hub) (PMNEH) confirmed that progress had been mixed with some issues still needing to be addressed whilst not being a significant risk to the Authority, particular reference being made to the level of work relating to the waste service targets.

The HIA explained that the first follow-up report had only recently been completed and a response was awaited. The officers confirmed that a further report would be presented to the Committee following completion of the work. The HIA confirmed that the Transport Policy was being reviewed and would be presented to SLT. At the request of Members it was agreed that a copy of the Transport Policy be circulated with the report to be presented to the March, 2016 meeting of the Committee.

Following further debate, it was:-

RESOLVED – that:-

- (a) *the Corporate Governance Committee receives and notes the latest update.*
 - (b) *an update report be presented to the March, 2016 meeting of the Committee,*
and
 - (c) *a copy of the Transport Policy be circulated to the March, 2016 meeting.*
- (IB, JE to Action)**

10 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

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

23rd March, 2016:-

- The March meeting of the Committee be convened 30 minutes earlier than scheduled, at 9.00 a.m., to accommodate consideration of the Corporate Governance Committee Self Evaluation Report.
- A report by the Head of Business Planning and Performance be included in the forward work programme for March, to provide an update on the management of risk and the wider interests of the Committee in respect of the implementation of the Well-being of Future Generations Act.

27th April, 2016:-.

- The HLHRDS explained that the workshop arranged to consider the Constitution would now be rescheduled. Members agreed that the business item with regard to the Constitution be included in the forward work programme for the April, 2016 meeting.

Members agreed that the Head of Internal Audit circulate an information report to Members of the Committee in respect of the financial management of Ysgol Mair,

Rhyl. It was agreed that any concerns expressed by Members of the Committee be forwarded to the Chair or HLHRDS. The Head of Internal Audit confirmed that a further report in respect of Ysgol Mair, Rhyl would be presented to the Committee in September, 2016.

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

(GW, AS, IB, CW to Action)

Meeting ended at 11.55 a.m.