

To: Members of the Governance and
Audit Committee

Date: 20 July 2023

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Dear Councillor

You are invited to attend a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 26 JULY 2023** in **COUNTY CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE**.

Yours sincerely

G. Williams
Monitoring Officer

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 Governance and Audit Committee meeting held on 14 June 2023 (copy enclosed).

5 YOUR VOICE COMPLAINTS REPORT (Pages 21 - 30)

To receive a report providing an overview of compliments, suggestions and complaints received by Denbighshire County Council under the council's customer feedback policy 'Your Voice' during Q4 2022/23 (copy enclosed).

6 ANNUAL TREASURY MANAGEMENT (Pages 31 - 70)

To receive a report by the Head of Finance (copy attached) on the Annual Treasury Management and Treasury management (TM) update about the Council's investment and borrowing activity during 2022/23. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators, and the details of the Council's TM activities during 2023/24 to date.

7 INTERNAL AUDIT UPDATE (Pages 71 - 94)

To consider a report by the Head of Internal Audit (copy enclosed) updating members on Internal Audit progress.

8 ANNUAL GOVERNANCE STATEMENT 2022 - 2023 (Pages 95 - 122)

To receive the Internal Audit Annual Governance Statement Report 2022-23 (copy enclosed).

9 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME (Pages 123 - 132)

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

INFORMATION REPORT

10 AUDIT WALES REPORT - ARE THE COUNCIL'S CORPORATE SUPPORT FUNCTIONS EFFECTIVE? – DENBIGHSHIRE COUNTY COUNCIL (Pages 133 - 144)

To receive for information, the Audit Wales report entitled 'Are the council's corporate support functions effective?' (copy enclosed).

MEMBERSHIP

Councillors

Ellie Chard
Justine Evans
Carol Holliday

Arwel Roberts
Andrea Tomlin
Mark Young

Lay Member

Nigel Rudd
David Stewart

Paul Whitham

COPIES TO:

All Councillors for information
Press and Libraries
Town and Community Councils

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LOCAL GOVERNMENT ACT 2000

Code of Conduct for Members

DISCLOSURE AND REGISTRATION OF INTERESTS

I, (<i>name</i>)	<input type="text"/>
a *member/co-opted member of <i>(*please delete as appropriate)</i>	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:- <i>(*please delete as appropriate)</i>	
Date of Disclosure:	<input type="text"/>
Committee (<i>please specify</i>):	<input type="text"/>
Agenda Item No.	<input type="text"/>
Subject Matter:	<input type="text"/>
Nature of Interest: <i>(See the note below)*</i>	<input type="text"/>
Signed	<input type="text"/>
Date	<input type="text"/>

*Note: Please provide sufficient detail e.g. 'I am the owner of land adjacent to the application for planning permission made by Mr Jones', or 'My husband / wife is an employee of the company which has made an application for financial assistance'.

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GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in COUNTY CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE on Wednesday, 14 June 2023 at 9.30 am.

PRESENT

Councillors - Ellie Chard, Justine Evans, Carol Holliday, Arwel Roberts, Andrea Tomlin and Mark Young (Vice-Chair).

Lay Members – David Stewart (Chair), Nigel Rudd and Paul Whitham.

Lead Members –

Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets

Councillor Rhys Thomas – Lead Member for Housing and Communities.

Observer – Councillor Jeanette Chamberlain-Jones

ALSO PRESENT

Interim Head of Service - Legal and Democratic Services/Deputy Monitoring Officer (LJ), Interim Head of Service Corporate Support Service: Performance, Digital and Assets (NK), Planning and Performance Officer (EM) Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (BC), Committee Administrator (KJ) (Zoom Host) and Committee Administrator (SJ).

Audit Wales representative Simon Monkhouse was also in attendance.

1 APOLOGIES

There were no apologies received.

2 APPOINTMENT OF CHAIR

Nominations were sought for a Member to serve as the Committee's Chair for the ensuing year. Lay Member Nigel Rudd nominated Lay Member Dave Stewart, seconded by Councillor Mark Young. No other nominations were received and it was therefore;

RESOLVED that Lay Member Dave Stewart be appointed as the Governance and Audit Committee's Chair for the ensuing year.

3 APPOINTMENT OF VICE CHAIR

Nominations were sought for a Member to serve as the Committee's Vice Chair for the ensuing year. Councillor Ellie Chard nominated Councillor Mark Young, seconded by Councillor Andrea Tomlin. No other nominations were received and it was therefore;

***RESOLVED** that Councillor Mark Young be appointed as the Governance and Audit Committee's Vice Chair for the ensuing year.*

4 DECLARATION OF INTERESTS

Councillor Mark Young, declared a personal interest in agenda item 13 - As he was a school Governor at Denbigh High School.

The Chair, Lay Member David Stewart declared a personal interest in agenda item 6 and agenda item 7 as he was a recipient of a Clwyd Pension fund pension and was a member on the Governance and Audit committee on Wrexham County Borough Council.

5 URGENT MATTERS

None.

6 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 26 April 2023 were presented for consideration.

Matters Arising –

Councillor Tomlin informed members that the report on Recruitment and Retention was due to be presented to be presented to the Performance Scrutiny Committee in June, but had been deferred to the July committee meeting.

In response to members concern on the status of the Statement of Accounts the Head of Finance confirmed the work on assets had been completed. Audit Wales had received the findings to assess in principal before the final draft accounts report was presented to them in full. The September deadline for the report to be presented to committee was still achievable.

***RESOLVED**, subject to the above that the minutes of the Governance and Audit committee held on 26 April 2023 be received and approved as a correct record.*

7 COUNCIL PERFORMANCE SELF-ASSESSMENT 2022 TO 2023

The Lead Member for Finance, Performance and Strategic Assets along with the Interim Head of Service Corporate Support Service: Performance, Digital and Assets and Planning and Performance Officer guided members through the report (previously circulated).

The Lead Member stressed this self-assessment was based on the new Corporate Plan. A great amount of work had been placed in to the report and the attachments from officers, Cabinet, SLT etc.

The report presented to the committee were statutory reports and provided members the opportunity to assess if the authority was achieving what it set out to in accordance with the Corporate Plan.

Officers confirmed appendix 2 was a quarterly performance report based on the Corporate plan and overview of governance areas, which was a statutory document. Which responded to the authorities' duties under the Well-being of Future Generations Act, the Equalities Act and the Local Government and Elections Act. It was stressed this was the first performance review of the new Corporate Plan and would be used as a baseline for future self-assessments going forward.

Appendix 2 was presented to Performance Scrutiny committee along with Cabinet, to receive an update of the performance report 4 times a year, quarter 1 and 3 were received virtually via email with quarter 2 and 4 are tabled at a meeting for a discussion.

Appendix 1 was the self-assessment. It was a statutory instrument under the Local Government and Elections (Wales) Act 2021. That document was presented to Governance and Audit Committee annually along with County Council and the Performance Scrutiny Committee. The report took stock of how the authority was performing against the Corporate Plan and the objectives set in the plan, and the extent to which our performance was resulting in positive outcomes and how well our governance was supporting continuous improvement. The self-assessment also had to make reference to the stakeholder's survey. Each year the authority was required to hold a stakeholder survey that took into account the views of local people in the county. The survey was available online, with hard copies available in libraries from 7 November 22 to 18 March 23. 630 Respondents were received.

The results of the survey could be found in the self-assessment.

One of the main reasons for the self-assessment was to assess the extent to which the authority's performance was driving improvement in outcomes for people and an analysis of how effective the governance arrangements in supporting improvement in the council was. It was hoped that the papers and assessments would be useful for services and areas of improvement.

It was stressed that at this point in time the documents were both still live documents and would be presented to County Council for approval in July 2023. A greater amount of Nationally benchmarked data was being measured against which officers felt was important. Further work was needed to agree what excellence looked like in some of those measures.

In the opinion of officers, the two reports represented a fair analysis of where the authority stood at this stage of the Corporate Plan. Officers were seeking members feedback, and consider the reports and identify areas where further work may be required further scrutiny.

The Chair thanked the officers and Lead Member for the detailed introduction and comprehensive reports. He thanked officers for the early sight of the report, in his opinion the report was transparent and explicit. Successes were highlighted along with any issues or gaps officers were open about the work needed in those areas. It was stressed the self-assessment (appendix1) was the statutory report that was submitted to Welsh Government.

Members heard the last report for Q3 Performance Plan was unusually smaller. Although the Q4 report in comparison looked a great deal more it was no larger than previous Q4 performance reports. Members heard Welsh Government would

take into consideration all of the performance reports for the year to feed into the self-assessment.

Assurance was provided that close working with internal audit to ensure the governance messages in this report and those in the annual Governance Statement report align.

Responding to members' questions the Lead Member and officers:

- Positive work on the equality and diversity aspect of the plan had taken place. Members were concerned that limited growth had taken place in this area of work over recent months. In response officers stated the authority was part of a North Wales Equality network, one piece of work required by that group was the creation of a contacts list for who to contact from groups with protective characteristics.
- A range of measures were in place to reflect future work to encourage achievement around the theme of a fairer, safer more equal Denbighshire.
- Members stressed the importance of engaging with stakeholders and residents. The level of respondents was statistically relevant and satisfied the requirements of the Local Government and Elections Act.
- The report and self-assessment was to be presented to County Council on the 4th July 2023. Proceeding that item, a paper on governance was to be presented to all councillors.
- Each of the themes within the Corporate Plan was led by a Cabinet member. There would also be a clear lead from a Corporate Director and senior officers.
- Members suggested a definition be provided alongside each heading for example procurement and assets.
- It was noted the importance of demonstrating assurance on the procurement system and compliance with the procurement framework.
- Officers were aware further reference and explanation between connections such as assets and workforce planning was needed.
- Members felt the report would benefit from setting out the performance of the Council in a broader regional and national context, noting that the default position to benchmark against national indicators. Officers stressed the importance of context within the report. It was highlighted that where possible data was benchmarked nationally.
- The Governance paper that was due to be presented to County Council would demonstrate where accountability lies. It would ensure accountability and challenge to Cabinet Members for their portfolios.
- Members were reminded of the new duty placed on group leaders in the Local Government and Elections Act.
- Development of Governance boards to lead on themes and progress in these areas. There was no system in place to measure the success of political Lead Members of each theme. Officers thanked members for raising the question and would look at how this could be incorporated in the arrangements.
- The quarterly performance report was drafted by the team in collaboration with services within the council. Once drafted it was shared with senior

officers for comments. It was also presented to Cabinet and Performance Scrutiny.

- At the time of composing the report officers were awaiting confirmation of the Welsh Local Government Association offer in relation to panel assessments. Panel assessments are statutory instrument that within each term, an independent panel must be appointed to provide feedback to Council on its governance and performance. The information has since been received from Welsh Government and officers had begun communication. It was confirmed further information would be presented to committee later in the year.
- Denbighshire formed part of the North Wales and Mid Wales audit group, there was a fraud and corruption side group. That group had been assigned with creating a training module for all staff to complete training.

RESOLVED

The Governance and Audit Committee considered the report and noted the following actions as part of its' recommendations:

- 1. That the report provided clear definitions, in particular, but not exclusively, in respect of procurement and assets.*
- 2. The report would benefit from setting out the performance of the Council in a broader regional and national context, noting that the default position is to benchmark against national indicators.*
- 3. The Committee notes and considers the exemplar leadership in respect of climate change, but recognises that achievement of objectives will require collaboration with all partners.*
- 4. The Committee observed that there may be an opportunity to engage more overtly with local and regional business forums to inform a wider stakeholder engagement.*
- 5. The Committee seeks assurance that in respect of Council housing tenants as stakeholders, in particular those with protected characteristics, are effectively and meaningfully consulted.*

8 BUDGET PROCESS UPDATE

The Lead Member for Finance, Performance and Strategic Assets introduced the report (previously circulated). She informed members the report set out the revised financial projections for the 3 year period 2024/25 to 2026/27 and a proposed budget strategy for setting the budget the 2024/25.

Members heard that she was pleased to note the communications plan that was currently being developed. It demonstrated good dialogue with everyone affected by the budget projections.

In addition, the Head of Finance stated the report was 3 elements to the paper:
Summary of 23/24 budget setting position;
Revised Budget Projections for 2024/25 to 2026/27 and
Key areas to contribute to the Budget Strategy for 2024/25.

Members were reminded that the authority had received a better settlement than expected during 2023/24. It was stressed that although it was better than first

thought it did not cover the pressures faced by the authority. Thus resulting in a funding gap of just under £11million. An increase in council tax of 3.8% had helped bridge the gap and generated £2.7million.

A reduction in the amount paid to Clwyd Pensions to contribute to pensions was in a surplus, resulting in a lower contribution sum to be made. This had no impact on individual's pensions.

Corporate Savings had contributed to funding the gap. The £2 million covid contingency plan had been given up.

Monthly monetary reports were presented to Cabinet to report the budget findings. Details of which were made public prior to each meeting.

It was stressed the difference between the best case scenario and worst case scenario of the projections going forward was quite a difference. It was stressed to members the uncertainty at present and going forward. Discussions with other Heads of Finance and Section 151 Officers suggested it was a concern across numerous authorities.

Members heard an additional pressure of pay offers for non-teachers had been a larger increase in the lower grade staff. It was expected that officers would have to look at the impact of the pay grade system.

Members were made aware of key areas of the budget going forward, this was a key area for committee to review and ensure adequate processes were in place to balance a budget for approval by Cabinet and County Council. It was proposed to continue with 1% efficiencies and request and expect services to deliver on those efficiencies. It was also expected services would increase fees and charges in line with inflation in most areas. Other savings would be sought from projects where the delivery of services could be changed. Services had been pre-warned that changes would need to be found and agreed to ensure savings were made. Reducing overspend in areas and services would also be assessed.

Member and staff involvement was encouraged and numerous factors where members could get involved was due to take place. A full Council workshop was scheduled for July to review and discuss the budget and proposals.

It was stressed the importance of getting the communication correct given the projected future budgets.

Members thanked the Head of Finance for the detailed introduction and presentation of the budget process. He urged members to submit questions to the Head of Finance via email outside the meeting.

The following areas were discussed in more detail:

- Members praised the work that was being conducted to mitigate the potential risks.
- Members were pleased to hear about officer and member suggestions. The staff suggestion scheme would be offered to all employees within the council. It was stressed not all staff have access to emails on a daily basis.
- Some of the large budget projects did not need to be included in 2024/25 those included the flooding schemes along the coast, the revenue needed to

be taken into account following the completion of the schemes. The capital plan and its method of funding was being reviewed.

- Finance for schools was a delegated function, with setting school budgets was a delegated matter. Each cluster had a finance manager to discuss budgets and identify savings or good practice.
- Refinancing historic loans that had a higher interest rate than current rates became more viable. Treasury management consultants were working with officers to determine if that was financial beneficial.
- Officers would review and look where savings could be met to aid balancing the budget.
- There was an asset strategy stream to look at savings. The options were being developed and would be reported back when finalised. The principal behind the stream was working with partners to bring them into empty office space. One challenge noted was other authorities were completing similar projects.
- Cross county working was always considered when looking at making savings. Currently the procurement department was a shared service. Discussions on potential service areas that would be more financially beneficial for both authorities would always take place.
- The authority was actively exploring devolution to other third parties. They were in the infant stage of discussions; further research was needed of areas that could be outsourced.
- Services had been asked to review the impact of the service given the savings required and the impact that would have on delivery of services. All areas would need to be reviewed when looking at savings to balance the budget.
- There were three categories of savings – efficiencies, savings and cuts to a service. Historically officers had tried to ensure savings were sought through efficiencies and savings within services.

The Chair thanked the officer and Lead Member for the detailed discussions and encouraged members to contact the Head of Finance with any concerns or questions.

RESOLVED, that members note the revised financial projections for the 3 year period 2024/25 to 2026/27 and the committee note the budget strategy agreed by Cabinet for setting the budget for 2024/25.

At this juncture (11.45 am) there was a 10 minute comfort break.

The meeting reconvened at 11.55 am.

9 INTERNAL AUDIT REPORT 2022-23

The Lead Member for Finance, Performance and Strategic Assets introduced the Internal Audit Annual Report to the committee (previously circulated). She emphasised the real effort that had been made by the audit team under difficult circumstances over the last 12 months.

The Chief Internal Auditor guided members through the report. The annual report was an example of good practice under the adopted standard of the Public Sector Internal Audit Standards. Those standards required an annual report on Internal Audit to feed into the statutory Annual Governance Statement.

The report encompassed the work of the audit team for the previous year and provided details of the work carried out by the auditors. He apologised to members stating the overall opinion had not been included/ He explained his opinion was submitted as part of the Annual Governance Statement which was to be presented at the July committee meeting. Since the publication of the papers an amended report had been circulated to members highlighting the change. For clarity the Chief Internal Auditor read out his overall opinion as follows:

'The Chief Internal Auditor's opinion is that the council's governance, risk management and internal control arrangements in the areas audited continue to operate satisfactorily. While the scope of assurance work was reduced due to the staff issues and three investigations, reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Council.'

It was reiterated to members the team dynamics during the last 12 months. The team had been operating without a full complement for the majority of the year. He also stressed the work that had been involved in completing the three special investigations. It was unprecedented to have 3 in one year. Both these points had impacted on the amount of planned audits completed from the original plan presented to committee last year.

Members heard 43% of the proposed work had been completed. 74% of the work carried out received a high assurance, 26% received a medium assurance with no low or no assurance ratings being issued. 3 advisory pieces of work had been completed, all of which were satisfactory. 7 follow up pieces of work had been included on the programme of work, the team had completed 6 of the follow up reviews.

Fraud and the manner in which way it was managed by the authority continued to be reviewed. Fraud was managed by senior officers within the council and any concerns was initially investigated by the service and then internal audit for assistance. The service should then report back to internal audit with the findings. Over the last 12 months he confirmed he had not received any reports of fraud.

Every 2 years the authority was required to carry out a piece of work for the National Fraud Initiative, which looked at matching data. The most recent report conducted had been provided to members at the time of completion. Details of the procedure of matching data was provided.

The audit team had performance indicators which included the draft report being issued in 10 working days and the final report being produced 5 days following agreement of the draft report.

An area the team had addressed that needed improving was the questionnaires following an audit being returned. The team had looked at the form to make easier to navigate and use. Hoping that would see an increase in returned questionnaires to the team.

The Chair thanked the Chief Internal Auditor for the detailed introduction. The following points were discussed further:

- Whistleblowing complaints were received by the Monitoring Officer who in turn shared any information with the Chief Internal Auditor to decide the best way forward. At that point it was looked at what internal audit can and should do and what can be farm out.
- A number of audits had been carried forward. If any of the risks are still noted or become a greater risk they will be get moved up the priority list. It was hoped this next year the majority of audits would be completed. It would be a combination of work carried over and those listed on 2023/4 programme of works. Audits in all services during the year are conducted, regular meetings with heads of service to prioritise the order of work took place.
- The majority of the work in relation to the special investigation work had been completed in the office. Both special investigations resulting from whistleblowing, audits were conducted on site.
- Audit had looked at the relationship arrangements between the authority and Betsi Cadwaladar University Health Board and were confident the relationship with the board was still effective. Once all investigations had been completed of the Health Board, internal audit could ensure it has the correct assurance. Officers of the authority had determined the risk associated to each area on the Corporate Risk register. Members stressed their concern that the assurance related to CRR00021 on the Corporate Risk register was green, High assurance. It was stressed the assurance was in relation to the communication between the two bodies not on the performance of the health board.
- Members noted the no low or no assurance audits completed. It was stressed that based on the work that had been completed that was the case. Working process are in place for all audits, all reports are presented to the Chief Internal Auditor before completion.
- In relation to some of the matching data fraud, it was often the case that other authorities completed the final work, depending if fraud was evident in a given authority.
- Confirmation that the counter fraud strategy and fraud response plan were due to be reviewed in the next 12 months. Members asked that those findings be shared as part of the internal audit update. Members were pleased to hear working with other local authorities to review best practices was taking place.

RESOLVED that members note and comment on the Chief Internal Auditor's annual report and overall opinion.

10 INTERNAL AUDIT CHARTER & STRATEGY 2023-24

The Chief Internal Auditor presented the Internal Audit Strategy to the committee (previously circulated). The report provided the Committee with the Internal Audit Charter and Strategy for 2023-24. The Charter defined the Internal Audit's purpose, authority and responsibility in line with the Public Sector Internal Audit Standards. The Strategy provided details of the proposed Internal Audit projects for the year that would enable the Chief Internal Auditor to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

The Chief Internal Auditor confirmed the Charter provided members with information on how Internal Audit would function throughout the year. It was stressed Local Authorities were subject to the Account and Audit (Wales) Regulations and must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls.

Resources had been an issue throughout the year, details of the team had been included in the papers. Members heard two restructures of the department had taken place over the last 12 months.

In response to members comments the Chief Internal Auditor confirmed that the Public Sector Internal Audit Standards requirements included the Charter being presented to committee for comments. It stated the Charter and Strategy were required to be presented on an annual basis. He confirmed he would liaise back the comments raise on the need for committee to receive the report annually.

The Chair confirmed he had met with the Chief Executive and he found the meeting very worthwhile and positive. He was very supportive of the role of the committee and agreed to hold further meetings with the Chair in the future. He informed members both the Chair and Vice Chair would participate in the peer assessment interviews. Members welcomed the attendance of another Chief Internal Auditor to any future meetings.

The Internal Audit Strategy (appendix 2) provided information on the planned programme of work for the upcoming year. Members were provided with a brief description of the work. The programme of works included an array of audits from all service areas. A number of audits had been carried over from previous year. It was stressed Internal Audit would only carry out audits it was deemed beneficial for the authority. The Strategy included the vast array of work carried out by Internal Audit and detailed the meetings officers attended to report back on. Members heard officers had emphasised the importance of updating the Verto system to managers, the Chief Internal Officer confirmed he had raised it the Senior Leadership Team meeting to stress the importance of managers updating the system.

The Chair stressed the importance of staff cooperation and compliance with updating Verto. The Committee stressed the support from members to emphasise the importance of updating the system.

Members noted the extended list of proposed audit work intended for the coming year. The Chief Internal Auditor stressed the special investigations would not affect the work load. One of the investigations was at draft stage and the other had been included in the proposed work for 2023/24.

In response to members questions, members were provided the assurance the implantation of new financial systems were being project managed. The Chief Internal Auditor stated he was confident an appropriate entry on the financial risk register would have been included. Discussions with the chief accountant and lead officers had taken place during the process and implementation. Close working with the finance team would continue.

Members suggested that a future training session on Internal Audit and how work was planned and prioritised be scheduled.

Members heard that discussions had taken place to consider closer working arrangements with neighbouring authorities.

It was;

RESOLVED that members approve the Internal Audit Charter and the Internal Audit Strategy 2023-24.

11 WORKFORCE PLANNING

The Chief Internal Auditor provided members with a verbal update on the internal audit work on Workforce planning.

He confirmed the remit from the committee had been for audit to look at how HR were addressing the concerns of workforce planning. Audit officers met with HR and went through a scoping procedure. An action plan was in place, which included five actions. He informed members the actions were:

- To consider leadership and management development processes
- Reviewing the authorities' recruitment and retention policy
- Evaluating the Council is promoting itself as a high performing and empowering workforce
- Review the Councils current and future arrangements for developing a flexible and agile workforce
- How the Council supported staff with health and wellbeing matters.

Two areas had been identified as issues and were under discussion with HR. The internal audit officers had awarded a medium assurance for the audit work. The report was still in draft presently. Members would be provided the audit report once agreed, this would be circulated to all.

It was stressed recruitment and retention would always be an issue for local authorities, the report looked at how HR had tried to encourage people into the service and authority.

The final report would be included in the Audit update that was presented to the committee in due course. Members asked that feedback be provided alongside the report on National terms of Conditions for key posts in North Wales.

Members asked if an email update outside of the meeting could be provided as to the progress in the recruitment of the replacement section 151 officer.

The Chief Internal Auditor confirmed the advert had been issued for the Section 151 officer with a closing date of 19 June 2023. Following that the interviews would take place in July 2023.

RESOLVED that members note the verbal update and await a copy of the final Internal Audit report.

12 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

The Chair confirmed he along with the Vice Chair had expressed concern that the Whistleblowing report had been deferred. He confirmed the report would be presented at the July committee meeting.

The draft Annual Governance and Audit annual report would also be presented at the July meeting. It had been deferred from the June meeting.

The Corporate Risk Register was presented to the committee annually. The Chair proposed the committee received a report on the register twice a year. It was suggested a copy of the Risk Register be included as an information report for reference at the July meeting.

The Chair urged members to contact him direct with any opinions on receiving the Risk register twice a year.

RESOLVED that, the Governance and Audit Committee's forward work programme be noted.

FOR INFORMATION

13 ESTYN LETTER TO LOCAL AUTHORITY FOLLOWING ARA WORKSHOPS

The Chair introduced the information report to members. The Chair highlighted the report as he was unaware that Denbigh High School had been in special measures for some time.

Councillor Mark Young stressed within the letter it stated the school had been in special measures from 2016 when it was in fact 2018. He stressed the importance of ensuring the facts are correct. He confirmed he had attended a lot of positive meetings and a great deal of positive good work had been done in the school during the last 5 years. He stressed the importance of being fair and balanced in all communications. He suggested the response from the authority or school should stress the positive work being done at the school.

The Chair emphasised the role of the committee was to ensure the committee was provided the assurance that the measures were being addressed and debated in the right committee.

RESOLVED that the committee note the information report.

The meeting concluded at 13.35 p.m.

Report to	Governance and Audit Committee
Date of meeting	23 rd July 2023
Lead Member / Officer	
Head of Service	Ann Lloyd
Report author	Kevin Roberts
Title	Your Voice Complaints Report Q4 2022/23

1. What is the report about?

The report provides an overview of compliments, suggestions and complaints received by Denbighshire County Council under the council's customer feedback policy 'Your Voice' during Q4 2022/23. The report also includes Social Services complaints received under its statutory complaints procedure.

2. What is the reason for making this report?

To enable the Committee to fulfil its scrutiny role in relation to the council's performance in dealing with customer feedback and to provide the Committee with information regarding specific examples where council services have been learning from complaints.

3. What are the Recommendations?

That the Committee considers the content of this report and, if appropriate, identify any areas that require further scrutiny.

4. Report details

4.1 Headlines for Q4 2022/23 (please see appendix 1 for further detail):

- The council received 56 complaints during Q4.
- The council received 93 compliments during Q4.
- The council received 19 suggestions during Q4.

4.2 98% of Stage 1 complaints were dealt with on time in Q4. See table 1 for performance by service 2022/23.

4.3 Performance Q4 2022/23

- 98% (55/56) Stage 1 complaints were responded to within timescale. The corporate target is 95%.
- Chart 1 in appendix 1 shows historical performance in relation to responding to stage 1 complaints. The corporate targets are purposely very ambitious, and to meet 95% represents a position of “excellence”.
- 89% (8/9) of stage 2 complaints were responded to within timescale. The corporate target is again 95%. See table 2 for Stage 2 performance by service.
- Chart 2 in appendix 1 shows historical performance in relation to responding to stage 2 complaints.
- Chart 3 in appendix 1 shows historical performance in relation to the number of complaints received.
- Table 3 in appendix 1 details compliments received by service in 2022/23
- Chart 4 in appendix 1 shows historical performance in relation to compliments received by the authority.

4.4 Stage 2 complaints Q4 2022/23

- There were 9 Stage 2 complaints in Q4 and one was responded to late by Community Support Services

4.5 Stage 1 outcomes Q4 2022/23

- Upheld: 37% (20 complaints)
- Upheld in part 5% (3 complaints)
- Not upheld 58% (33 complaints)

4.6 Complaints regarding commissioned services: Q4 2022/23

- 11 Stage 1 complaints were received regarding services provided by Civica. There were no Stage 2 complaints. All complaints were dealt with in timescale. This service now sits within the council.

4.7 Service Improvements as a result of complaints: Q4 2022/23

Highways and Environmental Services

The Council's ICT team are working on modifications to enable us to provide these reminders and prompts due to issues with subscription payments for garden waste. Whilst this is not a regular cause for complaint, it is a genuine shortcoming with our system and a clear area for improvement.

4.8 Late complaints in Q4 2022/23

There was a late complaint recorded in Q4 at Stage 1 by Customers Communication and marketing due to a delay in obtaining relevant information for response to a housing complaint.

There was a late complaint at Stage 2 by Community Support Services where a complaint against the Complaints Officer did not receive a response within the corporate timescales.

5. How does the decision contribute to the Corporate Themes?

The Your Voice scheme directly contributes to the corporate priority of Resilient Communities, as its aim is to deliver services which are modern, efficient and well Managed.

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

All costs relating to customer feedback are absorbed within existing budgets.

7. What are the main conclusions of the Well-being Impact Assessment?

This is a performance report and no decision is being sought to make any changes that would impact on staff or the community. Therefore, a Well-being Impact Assessment is not required for this report.

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

Quarterly report to Scrutiny.

9. Chief Finance Officer Statement

There are no obvious financial implications arising from the report.

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

By not dealing with complaints effectively, the reputation of the Council may suffer.

11. Power to make the decision

Sections 7.3 and 7.4.2(b) of the Council's Constitution outlines the Committee's remit and powers with respect of Services' performance.

Contact Officer: Kevin Roberts Statutory and Corporate Complaints Officer, tel: 01824 706409.

Your Voice information

1 Your Voice reporting periods

The following periods are used for reporting data:

Quarter 1: 1-Apr to 30-Jun

Quarter 2: 1-Jul to 30-Sep

Quarter 3: 1-Oct to 31-Dec

Quarter 4: 1-Jan to 31-Mar

2 Complaint response timescales

The 'Your Voice' feedback policy states that the following timescales should be adhered to when responding to complaints:

Stage 1: **10** working days

Stage 2: **20** working days

Please note: Community Support Services and Children and Family Services complaints usually follow statutory timescales.

3 Your Voice performance measures

A traffic light system is used to highlight performance in relation to response timescales to complaints. Performance is rated according to:

Red	less than 90% of complaints responded to within timescale
Amber	when more than 90% but less than 95% of complaints are responded to within timescale
Green	95% or more of complaints responded to within timescale

Table 1: Overall complaint response times for stage 1 complaints – Q4 2022/23

Service	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Total Stage 1		
	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%
Business Improvement & Modernisation	0	0	-	0	0	-	0	0	-	0	0	-	0	0	-
Legal, HR and Democratic Services	1	1	100%	1	1	100%	0	0	-	0	0	-	2	2	100%
Customers, Communication and Marketing	3	3	100%	11	11	100%	6	6	100%	6	5	83%	26	25	96%
Finance - including Revs and Bens (Civica)	8	8	100%	12	12	100%	11	11	100%	11	11	100%	42	42	100%
Highways, Facilities and Environmental Services	60	60	100%	51	51	100%	28	28	100%	22	22	100%	161	161	100%
Planning, Public Protection and Countryside	3	3	100%	4	4	100%	5	5	100%	3	3	100%	15	15	100%
Community Support Services	7	7	100%	2	2	100%	1	1	100%	8	8	100%	18	18	100%
Education and Childrens Services	3	3	100%	1	1	100%	1	1	100%	6	6	100%	11	11	100%
Corporate Total	85	85	100%	82	82	100%	52	52	100%	56	55	98%	278	277	100%

Chart 1: Stage 1 complaint response times

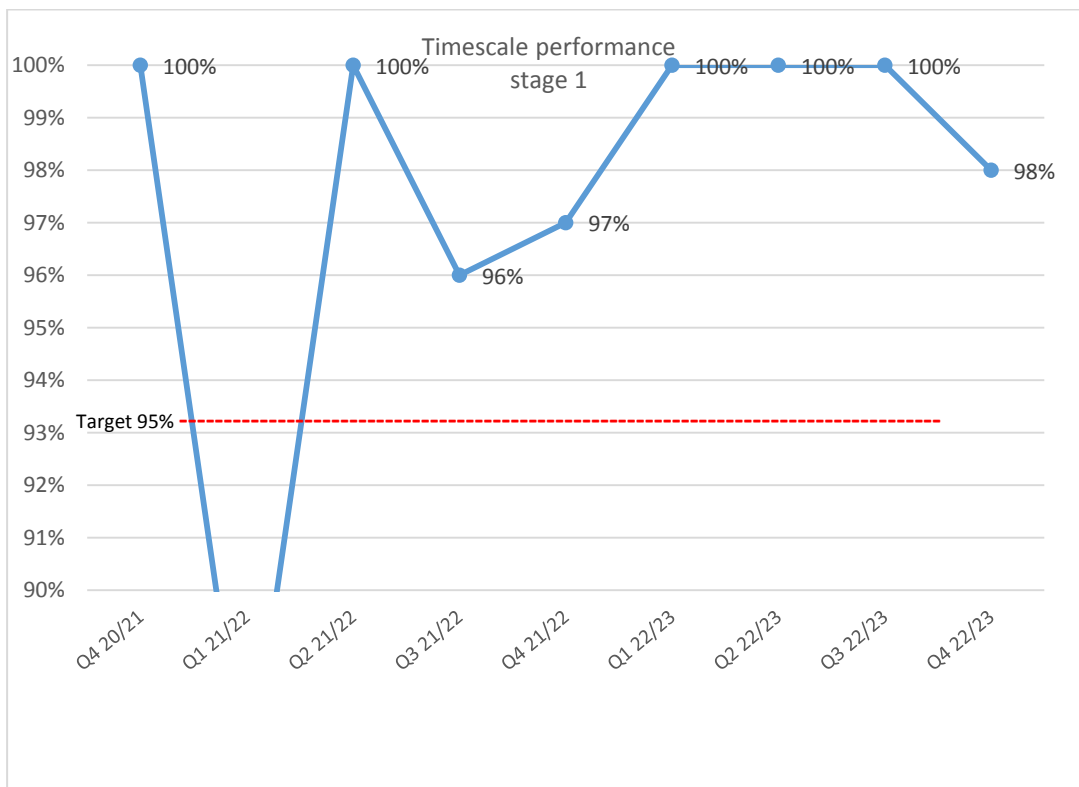


Table 2: Overall complaint response times for stage 2 complaints – Q4 22/23

Service	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Total Stage 2		
	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%	Rec'd	Within	%
Business Improvement & Modernisation	0	0	-	0	0	-	1	1	-	0	0	-	1	1	100%
Legal, HR and Democratic Services	0	0	-	0	0	-	0	0	-	0	0	-	0	0	-
Customers, Communication and Marketing	1	1	100%	0	0	-	1	1	-	1	1	100%	3	3	100%
Finance - including Revs and Bens (Civica)	3	3	100%	1	1	100%	1	1	100%	0	0	-	5	5	100%
Highways, Facilities and Environmental Services	2	2	100%	3	3	100%	1	1	100%	2	2	100%	8	8	100%
Planning, Public Protection and Countryside	1	1	100%	2	2	100%	4	4	100%	2	2	100%	9	9	100%
Community Support Services	2	2	100%	2	2	100%	0	0	-	3	2	67%	7	6	86%
Education and Childrens Services	1	1	100%	0	0	-	1	1	100%	1	1	100%	3	3	100%
Corporate Total	10	10	100%	8	8	100%	9	9	100%	9	9	88%	36	35	97%

Chart 2: Stage 2 complaint response times

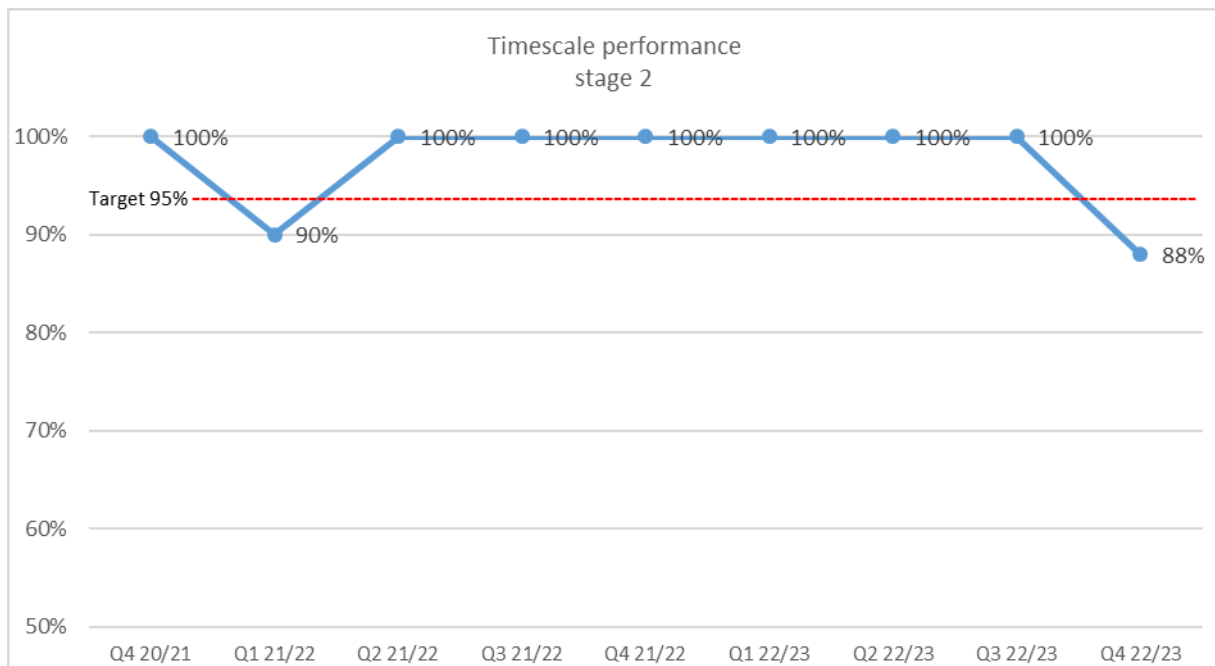


Chart 3: Total number of Stage 1 complaints received

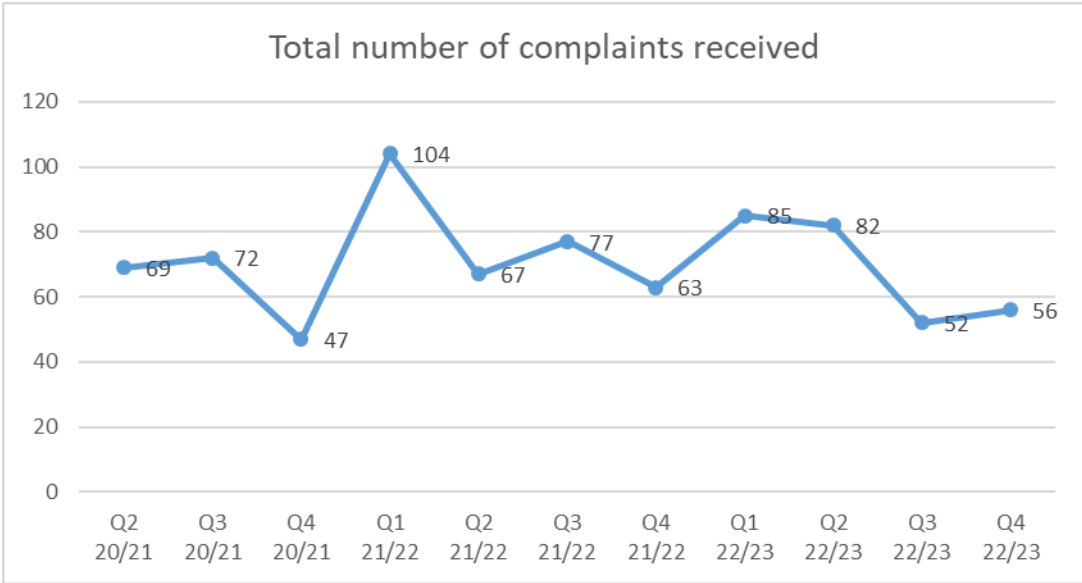
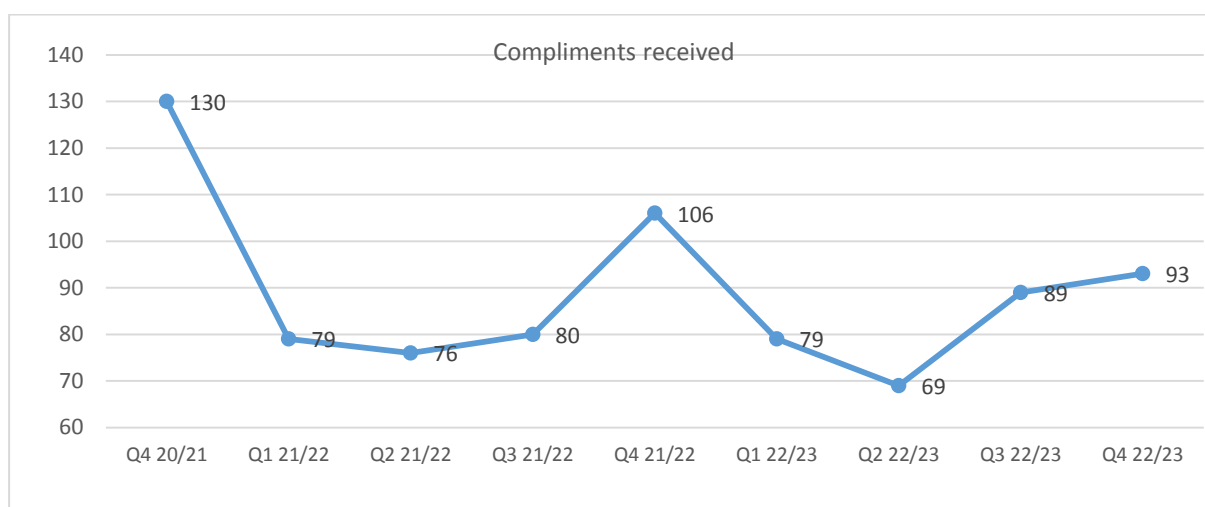


Table 3: Compliments received during 2022/23

Compliments 2022/23					
Service Area	Q1	Q2	Q3	Q4	Total
Business Improvement and Modernisation	0	0	0	0	0
Legal HR and Democratic Services	1	0	1	0	2
Customers, Communication and Marketing	26	4	14	9	53
Finance and Property (Inc Revs and Bens)	4	3	1	4	12
Education and Children's Services	12	17	29	16	74
Highways Facilities and Environmental Services	24	25	23	34	106
Planning, Public Protection and Countryside	0	4	3	3	10
Community Support Services	12	16	18	27	73
	79	69	89	93	330

Chart 4: Compliments received



Example Compliment – Community Support Services

After an especially difficult complaint against South Locality without merit was not upheld, the complainant referred to the Ombudsman who fully supported the council's response. Team Manager NEJ gave the following compliment to Social Worker SM

“Thank you for providing the update SM and I am glad X has arrived safe and sound. It was the best outcome for him and I am pleased it was achieved. I would just like to once again take the opportunity to thank you all for your continued hard work and perseverance in relation to this case as I know the ongoing difficulties and challenges that you were faced with and overcome. SM, you did a fantastic job and I hope you are as proud of yourself as I am. It was a fantastic piece of Social Work undertaken, you did your job exceptionally well and the outcomes were achieved for X. Very well done. Hopefully the situation will calm now and X will enjoy being back home and reconnecting with his family after the time lost with them.”

Example Complaint – Invalid, No further Action

Customer reporting a picture that has been posted to Facebook of children without permission. Caller had spoken to both the owner and the police. Poster has been asked to remove the post but refuses to do so.

Desired outcome? For this to be dealt with and the posts to be removed. For the company to recognise a safeguarding policy and stick to it.

This is an example of when citizens complain to the council about issues that do not concern us. These issues still take officer time as we have to respond informing them we cannot look at the matter – and give them the option to contact the Ombudsman should they be unhappy with our response.

Report to	Governance and Audit Committee
Date of meeting	26 July 2023
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance
Title	1. Annual Treasury Management (TM) Report 2022/23 (Appendix 1) 2. TM Update Report 2023/24 (Appendix 2)

1 What is the report about?

- 1.1 The Annual TM Report 2022/23 (Appendix 1) is about the Council's investment and borrowing activity during 2022/23. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2023/24 to date.
- 1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing at 31 March 2023 was £261.5m at an average rate of 4.15% and the Council held £24.2m in investments at an average rate of 3.41%.

2 What is the reason for making this report?

- 2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Governance and Audit Committee. Part of this role is to receive an update on the TM activities four times a year and to review the enclosed Annual TM Report for 2022/23.

2.2 Role of Governance and Audit Committee

2.2.1 The TM team will provide reports to the Governance and Audit Committee in accordance with the timetable below:

Committee	Date	Report Title	Report Content
Governance & Audit	January	TM Update	<ul style="list-style-type: none"> - External environment - Risks - Activity - Controls - Future Activity
Governance & Audit	January	TM Strategy	<ul style="list-style-type: none"> - Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Governance & Audit	April	TM Update	As TM Update above
Governance & Audit	July	TM Update	As TM Update above
Governance & Audit	July	TM Review	<ul style="list-style-type: none"> - Review of TM activities during the preceding year - Performance of TM function
Cabinet	September	TM Review	As above
Governance & Audit	November	TM Update	As TM Update above

2.2.2 TM is a complex area which takes time to understand fully and regular updates are provided. It was deemed therefore that the Governance and Audit Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment could be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates. The Council's treasury advisers, Arlingclose Ltd, will also be providing a training session for members shortly to cover these areas in greater depth.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

3 What are the Recommendations?

3.1 That members note the performance of the Council's Treasury Management function during 2022/23 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2022/23 (Appendix 1).

3.2 That members note the TM update report (Appendix 2) for performance to date in 2023/24.

3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

4 Report details

4.1 The purpose of the Annual TM Report (Appendix 1) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2022/23;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.2 The TM update report (Appendix 2) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

5 How does the decision contribute to the Corporate Priorities?

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

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

6.1 Not applicable.

7 What are the main conclusions of the Wellbeing Impact Assessment?

7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.

7.2 In the context of treasury management, the existing requirements to assess and report on the long term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.

7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

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

8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

9 Chief Finance Officer Statement

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that debt is effectively and prudently managed and reasonable returns on investments are achieved.
- 9.2 It is a requirement of the CIPFA Code of Practice on TM for this committee to receive an update on the TM activities four times a year and to review an Annual TM Report.

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

- 10.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

11 Power to make the Decision

- 11.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.

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Appendix 1

DENBIGHSHIRE COUNTY COUNCIL

ANNUAL TREASURY MANAGEMENT REPORT 2022/23

Steve Gadd
Head of Finance

CONTENTS

Section	Title
1	Background
2	Economic Background
3	Borrowing Activity
4	Investment Activity
5	Compliance with Prudential Indicators
6	Money Laundering Update
	Annex A - PWLB borrowing rates and UK Money Market rates
	Annex B – Compliance with Prudential Indicators 2022/23
	Annex C – Glossary

1. Background

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce Prudential Indicators annually and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Reports are presented twice a year to the Governance and Audit Committee which is the committee with responsibility for the scrutiny of the Council's treasury policy, strategy and activity, as well as the annual report made to cabinet and the report to full council for approval of the annual treasury strategy.
- 1.2 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

- 2.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 2.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

2.4 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

3. Borrowing Activity

3.1 The table below shows the level of the Council's borrowing from the Public Works Loan Board (PWLB) at the start and the end of the year.

	Balance at 01/04/2022 £000	Maturing loans £000	Premature repayments £000	New Borrowing £000	Balance at 31/03/2023 £000
Fixed rate loans – Public Works Loan Board (PWLB)	209,706	8,230	0	30,000	231,476
Total borrowing	209,706	8,230	0	30,000	231,476

3.2 The Council has been accessing temporary borrowing from other local authorities at very low rates to cover short-term cash flow requirements.

3.3 As a result of this borrowing, the average rate on the Council's debt increased from 3.77% at 1 April 2022 to 4.15% at 31 March 2023.

3.4 Annex A shows how interest rates for borrowing have moved over the course of the year.

4. Investment Activity

4.1 The Council held cash balances of £24.2m at the end of 2022/23. These represent the Council's Balances and Reserves (after internal borrowing and working cash balances are accounted for) and also where money has been borrowed before capital expenditure is incurred.

4.2 The Welsh Government's Investment Guidance requires local authorities to focus on security (keeping the money safe) and liquidity (making sure the Council never runs out of cash) as the primary objectives of a prudent investment policy. The Council's aim was to achieve a return on investments in line with these principles. The return is important but is a secondary consideration and the priority is the security of the sums invested.

- 4.3 The table below shows the level of the Council’s investments at the start and the end of the year.

	Balance at 01/04/2022 £000	Investments Raised £000	Investments Repaid £000	Balance at 31/03/2023 £000
Investments	28,700	449,200	453,700	24,200

- 4.4 Security of capital remained the Council’s main investment objective. This was maintained by following the Council’s counterparty policy as set out in its Treasury Management Strategy Statement for 2022/23 which defined “high credit quality” organisations as those having a long-term credit rating of A- or higher if domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Unsecured Bank Deposits

- 4.5 Conventional bank deposits have become riskier because of a lower likelihood that the UK and other governments will support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors’ deposits to build up their capital. This new risk has been termed ‘bail-in’ risk and is potentially a greater risk to investors than the ‘bail-out’ risk of the past.
- 4.6 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has only held a minimal amount of investments for short-term cash flow purposes and has placed a far greater emphasis on investing with the UK Government’s Debt Management Office and other local authorities in order to minimise these risks.

Credit Risk Management

- 4.7 Counterparty credit quality was assessed and monitored with reference to the following:
- credit ratings (minimum long-term counterparty rating of A- across rating agencies Fitch / S&P / Moody’s);
 - analysis of funding structure and susceptibility to bail-in;
 - credit default swap prices;
 - financial statements;
 - information on potential government support;
 - share prices.

Liquidity Management

- 4.8 In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of overnight deposits and instant access call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

Yield

- 4.9 The Council sought to achieve the best return balanced against its objectives of security and liquidity. The UK Bank Rate was increased at regular intervals during 2022/23 and ended the year at a level of x.xx%. Short term money market rates remained at very low levels which had a significant impact on investment income.
- 4.10 All investments made during the year complied with the Council's agreed Treasury Management Strategy, Prudential Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

5. Compliance with Prudential Indicators

- 5.1 The Council can confirm that it has complied with its Prudential Indicators for 2022/23, which were set in February 2022 as part of the Council's Treasury Management Strategy Statement. Details can be found in Annex B.
- 5.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2022/23. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

6. Money Laundering Update

- 6.1 The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it has a Money Laundering Policy and maintains procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that relevant staff are properly trained. This policy is due to be reviewed and updated in view of new regulations.
- 6.2 The Section 151 Officer is the Money Laundering Reporting Officer with the Deputy Section 151 Officer as the Deputy. There haven't been any cases of money laundering reported since the start of Denbighshire to date and the risk to the Council is considered to be minimal.

Interest Rates 2022/23

Public Works Loan Board (PWLB) borrowing rates and UK Money Market rates during the year were:

Example PWLB Borrowing rates (The rate at which the Council could borrow money from the Government)

Start Date	Length of Loan		
	1yr %	19½-20 yrs %	49½-50 yrs %
01-Apr-22	2.15	2.87	2.58
30-Sep-22	4.89	5.10	4.39
31-Mar-23	4.98	4.90	4.61

Example Bank Rate, Money Market rates (The rate at which the Council could invest with banks)

Date	Bank Rate %	7-day Investment Rates %	1-month Investment Rates %	6-month Investment Rates %
01-Apr-22	0.75	0.67	0.60	1.33
30-Sep-22	2.25	2.22	2.32	4.10
31-Mar-23	4.25	4.20	4.11	4.59

Compliance with Prudential Indicators 2022/23

1 Estimated and Actual Capital Expenditure

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

Capital Expenditure	2022/23 Estimated February 2022 £000	2022/23 Revised February 2023 £000	2022/23 Outturn March 2023 £000
Non-HRA	63,897	55,895	40,830
HRA	22,823	25,514	20,473
Total	86,720	81,409	61,303

- NB The figures for the February estimate were produced early in January but due to the nature of capital expenditure, some of the major schemes have slipped and this expenditure will now be incurred in 2023/24.

2 Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

- 2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

Ratio of Financing Costs to Net Revenue Stream	2022/23 Estimated February 2022 £000	2022/23 Revised February 2023 £000	2022/23 Outturn March 2023 £000
Financing Costs	16,695	15,955	15,944
Net Revenue Stream	233,693	233,696	233,696
Non-HRA Ratio	7.14%	6.83%	6.82%
Financing Costs	6,631	6,327	6,151
Net Revenue Stream	17,235	17,223	17,223
HRA Ratio	38.47%	36.74%	35.71%

3 Capital Financing Requirement

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Performance during 2022/23 is demonstrated in the following table:

Capital Financing Requirement	2022/23 Estimated February 2022 £000	2022/23 Revised February 2023 £000	2022/23 Outturn March 2023 £000
Non-HRA	254,051	238,940	228,458
HRA	88,083	82,622	77,455
Total	342,134	321,562	305,913
Borrowing	282,142	271,476	261,476

NB The outturn figures are taken from the pre-audited Statement of Accounts 2022/23 so they may be subject to change.

4 **Authorised Limit and Operational Boundary for External Debt**

Summary Table:

2022/23	31/03/2023 £000
External Borrowing	261,476
Internal Borrowing	44,437
Operational Boundary	315,000
Authorised Limit	320,000

- 4.1 **Operational Boundary:** This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity.
- 4.2 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements.
- 4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £273.7m. In addition to external borrowing, the Council uses its own reserves and balances to fund capital expenditure and this is known as internal borrowing as shown in the table above.

5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on the portfolio of investments.

	2022/23 Estimated %	2022/23 Actual Peak Exposure %
Upper Limit for Fixed Rate Exposure	100	100
Upper Limit for Variable Rate Exposure	40	0

6 Maturity Structure of Fixed Rate borrowing

- 6.1 This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %	Actual Borrowing as at 31/03/2023 £000	Percentage of total as at 31/03/2023 %
under 12 months	30	0	39,392	15.07
12 months and within 24 months	30	0	9,480	3.63
24 months and within 5 years	30	0	25,876	9.90
5 years and within 10 years	30	0	37,494	14.34
10 years and above	100	50	149,234	57.06
Total			261,476	100.00

7 Total principal sums invested for periods longer than 364 days

- 7.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2022/23 this limit was set at £10m. The Council did not have any investments which exceeded 364 days during 2022/23.

8 Adoption of the CIPFA Treasury Management Code

- 8.1 The Council confirms its adoption of the CIPFA Code of Treasury Management at its Council meeting on 26 March 2002. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

BANK OF ENGLAND	UK's Central Bank
BANK RATE	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
LONG TERM RATES	More than 12 months duration
SHORT TERM RATES	Less than 12 months duration
BOND (GENERAL)	An investment in which an investor loans money to a public or private company that borrows the funds for a defined period of time at a fixed interest rate
GOVERNMENT BOND	A type of bond issued by a national government generally with a promise to pay periodic interest payments and to repay the face value on the maturity date
CORPORATE BOND	A type of bond issued by a corporation to raise money in order to expand its business

COVERED BOND

A corporate bond issued by a financial institution but with an extra layer of protection for investors whereby the investor has recourse to a pool of assets that secures or “covers” the bond if the financial institution becomes insolvent

GILT

A bond that is issued by the British government which is classed as a low risk investment as the capital investment is guaranteed by the government

REPO

A repurchase agreement involving the selling of a security (usually bonds or gilts) with the agreement to buy it back at a higher price at a specific future date
For the party selling the security (and agreeing to repurchase it in the future) it is a REPO
For the party on the other end of the transaction e.g. the local authority (buying the security and agreeing to sell in the future) it is a reverse REPO

FTSE 100

Financial Times Stock Exchange 100 - An index composed of the 100 largest companies listed on the London Stock Exchange which provides a good indication of the performance of major UK companies

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Treasury Management (TM) Update Report

1 Changes in the external environment

Economic Outlook

- 1.1 The economic outlook remains uncertain following the impact of the coronavirus and the war in Ukraine. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

2 Investment Strategy

- 2.1 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has placed a far greater emphasis on investing with the UK Government's Debt Management Office (DMO) in order to minimise these risks. The majority of our investment cash is therefore placed with the DMO on a short term basis to meet monthly outgoings and the remainder with an instant access call account up to a maximum limit of £5m.
- 2.2 The Council's cash flow position is monitored constantly with a view to undertake further borrowing if required later in the year as the level of our investment cash decreases

3 Borrowing Strategy

- 3.1 The Council borrowed £30m in 2022-23 from the Public Works Loan Board (PWLB) in advance of further interest rate rises. The Council will continue to monitor its cash position and interest rate levels to ensure that further long term borrowing is undertaken from the PWLB at the optimal time to fund on-going Capital commitments.
- 3.2 At the last strategy meeting with the Council's treasury advisers, Arlingclose Ltd, the analysis of the Balance Sheet projections showed that the Council is likely to have a significant borrowing requirement in the future so the Council will continue to fund this borrowing requirement through a mix of temporary local authority borrowing and long term PWLB borrowing. This is reviewed and discussed monthly in the Capital and Treasury Management update meeting.
- 3.3 The Council currently has 5 temporary loans from other local authorities for £20m in total over a 12 month period. This total is made up of £10m which is repayable in January and £10m in March. At that time, the Council will review its cash flow position and will either repay those loans or continue the loans for a further period if the cash is required. Local authority loans remain a readily available source of cash so the Council will therefore continue to undertake temporary

borrowing from other local authorities in the future as required to cover short-term cash flow requirements.

4 PWLB Borrowing Update

- 4.1 We are required to submit annually a detailed 3 year capital expenditure plan to the PWLB with confirmation of the purpose of our capital expenditure. In particular, we have to confirm that we are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. We have been able to give this assurance so we can continue to take advantage of PWLB borrowing at low rates.

5 Controls

Prudential Indicators

- 5.1 The Council sets prudential indicators which set boundaries within which its treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2023/24 as stated in the TM Strategy Statement and the Capital Strategy Report agreed by Council in February 2023. The Council has not deviated from the Capital related indicators either.
- 5.2 The Capital related Prudential Indicators are included in the Capital Strategy Report. It is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.
- 5.3 The Capital Strategy Report was included with the Capital Plan report to Council in February 2023 and included the following Capital related Prudential Indicators:

Estimates of Capital Expenditure and Financing
Ratio of Financing Costs to Net Revenue Stream
Capital Financing Requirement
Authorised Limit and Operational Boundary for External Debt

5.4 Audit Reviews

The last Internal Audit review undertaken in March 2023 found effective controls in place with good examples of working practices identified. A high assurance rating was awarded which shows that risks and controls are well managed and objectives are being achieved. The next Internal Audit review is due in Spring 2024.

6 Future

6.1 TM Strategy for next six months

As planned capital expenditure is incurred, the Council will continue to monitor its cash flow position to ensure that temporary borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external PWLB borrowing is undertaken at the optimal time in line with the TM strategy.

6.2 Staffing Changes

One member of the TM team retired at the end of June 2022 and his replacement was already part of the TM team so she will continue to undertake her TM duties. Two new employees have also been added to the TM rota to provide additional cover and they have received training and have recently started their TM duties.

6.2 Medium Term Capital Strategy

Work is continuing to develop a medium term strategy for capital. This will help identify projects that we are planning to develop and invest in over a 5 to 10 year period, but have not yet gone through the approval process. This will impact on the level of borrowing that the Council will require to undertake over the coming years. To complement and aid this work a new capital approval process has been developed which was reviewed by the Governance and Audit Committee in November and approved by Cabinet in December. This includes setting up a new Capital Scrutiny Group, the papers of which will be available to all Members.

6.3 Reports

The Annual TM Report 2022/23 will be submitted to Cabinet in September following a review by the Governance and Audit Committee. The next report to the Governance and Audit Committee will be the TM Update Report 2023/24 in November.

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Annual Treasury Management Report 2022/23: Well-being Impact Assessment Report

This report summarises the likely impact of the proposal on the social, economic, environmental and cultural well-being of Denbighshire, Wales and the world.

Assessment Number: 148

Brief description: A review of the Treasury Management activities for 2022/23

Date Completed: 03/07/2023 15:58:45 Version: 29

Completed by: Rhys Ifor Jones

Responsible Service: Finance and Audit Services

Localities affected by the proposal: Whole County,

Who will be affected by the proposal? Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.

Was this impact assessment completed as a group? No

Summary and Conclusion

Before we look in detail at the contribution and impact of the proposal, it is important to consider how the proposal is applying the sustainable development principle. This means that we must act "in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs."

Score for the sustainability of the approach

2 out of 4 stars

Actual score : 23 / 36.

Summary for each Sustainable Development principle

Long term

The impact of this report is neutral in this particular area.

Prevention

The impact of this report is neutral in this particular area.

Integration

The impact of this report is neutral in this particular area.

Collaboration

The impact of this report is neutral in this particular area.

Involvement

The impact of this report is neutral in this particular area.

Summary of impact

Well-being Goals	Overall Impact
A prosperous Denbighshire	Positive
A resilient Denbighshire	Positive
A healthier Denbighshire	Neutral
A more equal Denbighshire	Neutral
A Denbighshire of cohesive communities	Neutral
A Denbighshire of vibrant culture and thriving Welsh language	Neutral
A globally responsible Denbighshire	Neutral

Main conclusions

An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.

The likely impact on Denbighshire, Wales and the world.

A prosperous Denbighshire

Overall Impact

Positive

Justification for impact

An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.

Further actions required

Sound financial planning and efficient long term treasury management strategies ensure that the positive impact of this report on the County's prosperity is maximised.

Positive impacts identified:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

Financial planning and decision making ensures that proper consideration of the long term impact of financial decisions is given, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies.

Economic development

The Treasury Management strategy and Prudential Indicators ensure that the Council's cash is safeguarded as much as possible by making investments in banks recommended in the annual strategy statement.

Quality skills for the long term

The strategy ensures that the Council's borrowing is monitored and is within set limits and is affordable. It identifies current financing requirements for the Capital Plan and estimates the proposed capital requirements for the next three financial years.

Quality jobs for the long term

Sound investment and borrowing decisions relating to the Council's cash will maximise the Council's income within the guidelines set in the Treasury Management strategy.

Childcare

The Prudential Indicators are a statutory requirement which demonstrate the affordability of our plans and contribute towards the overall financial wellbeing of Denbighshire.

Negative impacts identified:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

Not applicable

Economic development

Not applicable

Quality skills for the long term

Not applicable

Quality jobs for the long term

Not applicable

Childcare

Not applicable

A resilient Denbighshire

Overall Impact

Positive

Justification for impact

A sound Treasury Management strategy ensures that the Council's cash is secure and new borrowing is affordable. It also enables the Council to react quickly to market volatility by continual monitoring of the financial institutions throughout the year.

Further actions required

Good investment decisions will help the Council to develop more efficient working practices which will use less resources which will help to maximise the positive impact of this report on the County's resilience.

Positive impacts identified:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

Good investment decisions will help the Council to develop more efficient working practices which will use less resources.

Reduced energy/fuel consumption

The strategy is set at the start of the financial year but it is monitored carefully throughout the year to ensure that the Council reacts quickly to any market volatility and the impact on the banking institutions.

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

Negative impacts identified:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

Not applicable

Reduced energy/fuel consumption

Not applicable

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

A healthier Denbighshire

Overall Impact

Neutral

Justification for impact

Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

The strategy contributes to the overall financial health of Denbighshire and therefore supports the delivery of the annual budget.

Negative impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

Not applicable

A more equal Denbighshire

Overall Impact

Neutral

Justification for impact

A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

An efficient treasury management strategy contributes to the financial resilience of the Council and supports service delivery.

Areas affected by socio-economic disadvantage

Not applicable

Negative impacts identified:

Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

Not applicable

Areas affected by socio-economic disadvantage

Not applicable

A Denbighshire of cohesive communities

Overall Impact

Neutral

Justification for impact

A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

Negative impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

A Denbighshire of vibrant culture and thriving Welsh language

Overall Impact

Neutral

Justification for impact

A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the language and the culture because any treasury management decisions are based on the treasury strategy and advice from financial consultants.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

Negative impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

A globally responsible Denbighshire

Overall Impact

Neutral

Justification for impact

A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the local area.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Local, national, international supply chains

Not applicable

Human rights

All investments are undertaken from national institutions in line with the strategy and financial advice. The strategy determines the institutions with the minimum credit rating which the Authority is permitted to invest with.

Broader service provision in the local area or the region

All borrowing is undertaken from central Government as detailed in the strategy and in line with other local authorities.

Reducing climate change

Not applicable

Negative impacts identified:

Local, national, international supply chains

Not applicable

Human rights

Not applicable

Broader service provision in the local area or the region

Not applicable

Reducing climate change

Not applicable

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Report to	Governance & Audit Committee
Date of meeting	26 July 2023
Lead Member / Officer	Cllr Gwyneth Ellis / Steve Gadd – Head of Finance and Audit
Report author	Bob Chowdhury – Chief Internal Auditor
Title	Internal Audit Update

1. What is the report about?

- 1.1. This report provides an update for Governance & Audit Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

2. What is the reason for making this report?

- 2.1. To provide information on the work carried out by Internal Audit since the last Committee meeting. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on other council services and corporate areas. This enables the committee to discharge its responsibilities as per its Term of Reference. Delivery of the audit plan will assist the committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions of the Council.

3. What are the Recommendations?

- 3.1. That the Committee considers the report content, assesses Internal Audit's progress and performance.
- 3.2. That the Committee decides whether it needs further assurance on any of the audited areas to follow up progress with implementing the improvement action plans.

4. Report details

- 4.1. Appendix 1 provides an update on internal audit work carried out since the last update report to the committee in July 2023.
- 4.2. Since the last Governance & Audit Committee update report, seven audits have been completed, none of which received a low assurance rating. Five of the reviews had been awarded a high or medium assurance rating, one review an assurance rating was not required as it was a process review and the last review was completed for Rhuddlan Town Council
- 4.3. Since the last Internal Audit update in April 2023, Internal Audit has moved over to the newly named Finance and Audit Service and will report to Steve Gadd S.151 officer and HoS.
- 4.4. The last 3 months has seen Internal Audit carrying one vacancy, but we have now recruited into the vacant Senior Auditor post with a third Career Pathway – Auditor who is due to start on the 17 July 2023. We have also had a member of the team off on long term sick, but they have now returned and going forward it will be good to have a full complement of staff. During the last two weeks, we have been informed by two Heads of Service about potential financial frauds which has meant that we have had to put our planned audits on hold and start work on two special investigations.
- 4.5. Internal audit monitors performance in relation to addressing actions arising from audit reviews. It is management's responsibility to address the actions and record progress on the performance management system (Verto). Internal Audit continues to perform a 'follow up' and reports on progress with implementing action plans arising from low assurance audits to ensure that necessary improvements are being made.

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

- 5.1. There is no decision required with this report. There is no direct contribution to Corporate Priorities, but some projects in the audit plan will review Corporate Priority areas and will provide assurance on their delivery.

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

6.1. Not applicable – there is no decision or costs attached to the report.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. Not applicable – this report does not require a decision or proposal for change.

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

8.1. Not required

9. Chief Finance Officer Statement

9.1. There are no financial implications attached to this report.

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

10.1. Should insufficient audit work be completed during the year, there is a risk that the Chief Internal Auditor is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the Public Sector Internal Audit Standards. Audits are prioritised to provide coverage of governance, risk management and internal controls and scopes for these audits will focus on key risks.

11. Power to make the decision

11.1. Not applicable – there is no decision required with this report.

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Internal Audit Update

July 2023

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Internal Audit Reports Recently Issued

Since the last Internal Audit update report in April 2023, Internal Audit has completed:

- Seven reviews, but only six can be shared, as the fifth report in the table was completed for Rhuddlan Town Council. However, for the six being reported on, a full copy of each report has been circulated to members of the committee.
- Work has started on the NFI data matching and we have completed a number of checks.

The assurance given and number of issues raised for each review is summarised below:

Reference Number	Area of work	Assurance Level	Critical Issues	Major Issues	Moderate Issues
D222324	Housing Support Grant	High ●	0	0	0
D222318	ICT Asset Management	High ●	0	0	1
D232414	Process Review of Library Fees and Charges	N/A	N/A	N/A	N/A
D222315	Workforce Planning	Medium Assurance ●	0	0	2
D232437	Rhuddlan Town Council	High ●	0	0	0
D232431	Ysgol Bryn Collen	High ●	0	0	2
D232434	AONB	High ●	0	0	0

Housing Support Grant – May 2023

High Assurance ●

Number of Risk Issues: None ●

The review confirmed effective arrangements are still in place for the Housing Support Grant (HSG) which comply with the Welsh Government (WG) guidance March 2021.

Regular reports are provided to Welsh Government as evidence of confirmation of how funding is spent. Examples include quarterly progress updates on expenditure, final outturn expenditure and end of year progress report. While there were delays in submitting some reports, Welsh Government were aware of the reasons in advance.

The service has key documentation in place to ensure HSG priorities and outcomes are monitored and reported to Welsh Government. Examples include Housing Support Needs Assessment, which includes a single outcome framework and an annual delivery plan.

The service continues to work collaboratively with other local authorities and public sector providers. As part of the requirements the North Wales Regional Housing Support Collaborative Group (RHSCG) submitted an annual statement of collaborative work, which details priorities, objectives, representatives from organisations and work completed to work collaboratively.

We reviewed a sample of financial transactions and confirm that funding is being spent in line with the grant's terms and conditions. Examples of support provided through the grant include preventative measures such as training and awareness sessions for officers; support for tenants in terms of items for homes and supporting clients in community living.

ICT Asset Management – May 2023

High Assurance ●

Number of Risk Issues:

1 Moderate ●

The review identified that there are effective controls in place within the council's ICT asset management process. Policies and procedures are in place for issuing and receiving ICT equipment, including the receipt of redundant devices and records where devices are allocated to staff. However, the redundant devices procedure did not have a date when last reviewed to demonstrate that the procedure is reviewed regularly.

Testing of devices on the ICT network against the ICT asset register confirmed that assets matched to staff. ICT Service team have recently introduced monitor and peripheral reports that are performed on a regular basis, which identify other assets connected to laptops, such as monitors and docking stations confirming what assets staff are using.

Other processes in place include identifying assets that have been replaced or are redundant. A report of redundant assets is maintained where the assets are automatically removed after 90 days. Testing identified 87% of assets were removed from the list however 13% were still assigned to the staff member, which was as a result of devices not being received from managers as part of the leavers process. Staff accounts and devices are disabled to prevent devices from being used and reminders are issued to managers as additional controls.

In March 2020 most staff were advised to work from home as a result of covid-19 lockdown. All services were advised by the Interim Head of Service to complete an asset register detailing equipment that had been taken off site. As part of our testing, we requested services to provide their asset registers. We only received eight out of nine, which equated to 89%. We identified some inconsistencies in recording of ICT assets. (See Risk Issue 1)

We visited four sites to verify assets were in the stated location recorded on the ICT asset register. Testing confirmed laptops were not always on site; however, further checks confirmed the base for staff were accurate and staff were working remotely. The DCC numbers were accurate and reflect the information captured on the ICT asset registers.

Process Review of Library Fees and Charges – June 2023

Assurance Rating – N/A

Number of Risk Issues:

None

The removal of late fees appears to have had a positive effect on the service. There are effective measures in place to manage the risks for borrowed items, examples include issuing reminders to customer when items are late, charging schedule for lost or damaged items and limiting free replacement cards to three per customer, after which there is a nominal charge. Customers can also access their account through the online catalogue and the Pori App.

The Library Management System (LMS) performs a variety of different functions, including automatic updates on customers' accounts with little input required from staff.

There is a charging schedule in place for services offered including costs for replacement items, photocopying, printing and room hire, which was reviewed in 2021-22, and is comparable with other Local Authorities and printing companies. Where items are not available locally, the services use the Inter-Library Lending (ILL) system to enable customers to search for stock within Wales. We advise that the charging schedule is reviewed on a regular basis to ensure prices cover appropriate service charges and incorporate any feedback from annual income reviews carried out.

Denbighshire offer music score hire, song collections, choral and orchestral sets, which are a limited resources in the UK and have agreed hire costs. The agreements include costs for lost or damaged sheets. The written process needs amending to include steps for recovering costs if items are lost or damaged.

There has been an increase in customers utilising room hire facilities at libraries, including regular bookings from banks, which are hiring spaces due to branch closures. There is a charging scheme in place to accommodate different type of bookings. Some customers require invoices for room bookings for processing through their purchasing system. The council use the sundry debtors system, which is not cost effective for all rooms bookings in libraries, as the cost of raising an invoice can be greater than the room hire costs. Internal

Audit will advise the service of alternative methods for raising invoices for customers requiring invoices.

Miscellaneous sales are either made by cash, cheque or when available through card where a specific code is used to correctly allocate the transaction.

There are effective controls in place for the library service charges, where a proactive approach has been used to identify any weaknesses and this has already progressed in strengthening areas to minimise risks.

Workforce Planning – June 2023

Medium Assurance ●	Number of Risk Issues:	2
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The review confirmed there are robust HR initiatives and strategies in place to support the Corporate Workforce Plan. Agile policy and guidance is on target and is on the agenda to be presented to Cabinet in May 2023, with a target of June 2023 to go live. Leadership conferences have been reviewed by the Chief Executive Officer (CEO) and Senior Leadership Team (SLT) with a timetable in place for the next 12 months. The review of Leadership Conference is required prior to one-to-ones being carried out and performance indicators are being monitored. Succession planning is carried out routinely and a decision has been made to draft a formal plan by the end of April 2024 to support managers.

The HR department had a number of vacancies within the team, and are in the process of recruiting SLT members, which is priority. Therefore, the development of some policies and guidance has been delayed. Management induction is a mechanism for supporting and upskilling new managers on policies, procedures, tools and systems, and this has also been delayed until September 2023. These delays pose a moderate risk (See Issue 1).

The One Council Approach is making good progress, corporate induction and new starter provisions are functioning well and Welsh Unions Learning Funding (WULF) ensures regular courses, which are well advertised and also include a good provision of management courses. The Operational Development specialist (OD) helps identify skills gaps so that future provisions offering bespoke training can get underway. Discussions are

ongoing to support the Welsh Language Strategy and Welsh courses are promoted for employees to develop their skills.

Testing confirms that HR have taken a proactive approach to recruitment with regular workshops being held for CSS/CS vacancies and in September 2022 a job fair organised by HR proved successful. The number of staff on a career pathway has doubled in the last three years and managers are seeing the benefits of career pathways as managers are growing their own and filling skills gaps as well as retaining staff. New adverts and person specifications for vacancies have been streamlined to encourage more applicants and employee benefits are advertised well.

HR are demonstrating a strong commitment to support Health and Wellbeing. There is a mass of resources and policies which are easily accessible and publicised well. There are dedicated Mental Health first aiders in each department, who are listed on the intranet. HR have identified the need to ensure the list is current and intend to schedule reviewing this on a 6-monthly basis. Policies are updated regularly, but we advise going forward, that the date of review and next review date should be recorded on the front cover, as it was not always clear during testing (See Issue 2)

The Staff Council continues to be effective, having been used as a consultative body for communicating messages such as NWOW and the Corporate Plan.

Ysgol Bryn Collen – June 2023

High Assurance ●

Number of Risk Issues:

2 Moderate ●

Our review identified effective controls in place for the governing body. Declarations of Interests (DOI) for governors are up to date. In accordance with the Disclosure and Barring Service (DBS), all governors require a DBS check, and testing identified compliance with the DBS process.

Governing body meetings are held regularly and the supporting documents, including agendas and minutes, are shared with the governors in advance of meetings. All statutory policies are in place and are accessible to staff and governors and are reviewed regularly. The governing body performs informal skills set analysis; however, this should be formally

recorded using self-evaluation forms which will assist in identifying further training and development needs for governors.

The school budget is currently in deficit, however they have taken a proactive approach in reducing the deficit and are working with officers on a recovery plan. There are effective controls in place for budget monitoring with regular reviews of school budgets, including review of staff costs and the school's financial position.

The school uses corporate systems for processing income, purchasing and invoicing. There is appropriate separation of duty in place and regular reconciliations are performed. Written processes are not in place for all key processes but there is adequate knowledge within the team to cover absence; it would be wise to document these procedures in the future. School fund certificates are audited annually; however, approval of the independent auditor should be minuted to strengthen the separation of duty.

The school currently does not charge for letting that is in place but intends to introduce charges in September for wrap-around care facilities provided. Appropriate controls will need to be considered for the collection of income. and the Governing Body will need to approve the school-wide lettings policy which is currently being drawn up by Education Services.

Work required on site is procured through the corporate buildings maintenance team who perform relevant checks of approved suppliers. Grant funding received by the school is monitored by the school and by the Council's finance officers to ensure compliance with relevant terms and conditions.

There are effective controls in place for health and safety and safeguarding. The school is secure with high fencing and restricted access during school hours. CCTV is on site with regularly reviewed CCTV policy in place. The school has arranged for the retention period to be changed to 30 days to be in line with corporate retention schedule period. Other examples include regular testing of fire drills, 'sign in' process as well as written processes for staff to follow for child protection/safeguarding. Fire risk assessments are in place and reviewed regularly.

ICT security arrangements appear to be effective; staff have individual usernames and passwords and all external devices are encrypted and password protected. The school has an asset register in place for ICT assets, however the asset register needs strengthening.

AONB – June 2023

High Assurance ●

Number of Risk Issues:

None

Our review identified effective controls in place for monitoring of income and expenditure with supporting documentation in place. Examples include providing financial reports to the Clwydian Range and Dee Valley AONB Joint Committee on a regular basis and regular reconciliations of AONB accounts and petty cash. Appropriate treatment of VAT, National Insurance and PAYE were in place and comply with corporate financial regulations.

The AONB committee meet regularly using virtual platforms and have detailed supporting documentation in place for recording discussions and decisions agreed.

A review of the completed annual returns for 2022-23 identified some significant variations in income and expenditure in comparison to 2021-22. Through discussion with officers, we were satisfied that the variances were reasonable and we have no concerns.

Regular reviews of the AONB risk register are performed and discussed and approved by the Clwydian Range and Dee Valley AONB Joint Committee.

WAO reports specific to Denbighshire County Council that are due to be undertaken in 2023/24

Review	Report status	Link to report
Audit of the Council's 2021-22 statement of accounts		
Audit of the Council's 2022-23 statement of accounts		
Grants certification 2021-22		
Local Report on Council's Corporate Support Functions		
Assurance and Risk Assessment		
Cross-sector review focusing on the flow of patients out of hospital		
Digital Strategy Review		
Examination of the Setting of Well-being Objectives by Denbighshire County Council		
Use of Performance Information – Service		
Welsh Housing Quality Standard local project		

National WAO reports that are due to be undertaken in 2023/24, for the 22 LA in Wales

All 22 local authorities will be audited on an agreed review area and then the 22 local authority reports will be pulled into one national report that will be issued to each local authority. This generic report will be produced and shared across the 22 local authorities highlighting good / bad practice identified.

Review	Report status	Link to report
Thematic review – Digital		
Thematic review – Financial Sustainability		

Thematic review – commissioning and contract management		
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Local government national studies planned/in progress

The local government national studies are undertaken by a specific team within WAO who will not look at all 22 local authorities in Wales. They will select a sample of local authorities across Wales and carry out the review. Once completed, a generic report will be produced and shared across the 22 local authorities highlighting good / bad practice identified.

Review	Link to report
Building Social Resilience and Self reliance	https://www.audit.wales/sites/default/files/publications/Together_we_can_Community_resilience_and_self_reliance_English_2.pdf
Building safety	
Planning for sustainable development – Brownfield regeneration	
Governance of special purpose authorities – National Parks	
Corporate Joint Committees (CJCs)	



Estyn visits / reports update within the last 12 months

School Name	Report status	Link to report
Christ the Word	Special Measures	https://www.estyn.gov.wales/provider/6635902
Ysgol Uwchradd Glan Clwyd	LA to review	https://www.estyn.gov.wales/system/files?file=2022-
Ysgol Llywelyn	No Follow Up	https://www.estyn.gov.wales/system/files?file=2022-
Ysgol Y Castell	No follow Up	https://www.estyn.gov.wales/system/files/2022-

Internal Audit Update – July 2023

Rhyl High	No Follow Up	https://www.estyn.gov.wales/system/files/2022-
Ysgol Borthyn	No Follow Up	https://www.estyn.gov.wales/system/files/2022-
Ysgol Carrog	No Follow Up	https://www.estyn.gov.wales/system/files?file=2023-
Ysgol Caer Drewyn	No Follow Up	https://www.estyn.gov.wales/system/files?file=2023-
Prestatyn High School	No Follow Up	https://www.estyn.gov.wales/system/files?file=2023-03/Inspection%20report%20Prestatyn%20High%20School%202023_0.pdf
Denbigh High School	Monitoring Visit	https://www.estyn.gov.wales/system/files?file=2020-08/Denbigh%2520High%2520School_0.pdf Report produced 06/07/2018 and since then the school has been receiving monitoring visits and letters are sent to Head of Education
Ysgol Penmorfa	No Follow Up	https://www.estyn.gov.wales/system/files?file=2023-03/Inspection%20report%20Ysgol%20Penmorfa%202023_3.pdf
Ysgol Pendref	Estyn Follow up	https://www.estyn.gov.wales/system/files?file=2023-03/Inspection%20report%20Ysgol%20Pendref%202023.pdf
Ysgol Gynradd Pentrecelyn	No Follow Up	https://www.estyn.gov.wales/system/files?file=2023-05/Inspection%20report%20Ysgol%20Gynradd%20Pentrecelyn%202023_0.pdf

CIW / Other reports update for 2023/24

Area Reviewed	Link to Report
Dolwen Care Home	https://www.careinspectorate.wales/sites/default/files/inspection-reports/00009247-mgnd_c_27042022_e.pdf
Cysgod Y Gaer	https://www.careinspectorate.wales/sites/default/files/inspection-reports/00009248-hclp_c_05052022_e.pdf
Joint Inspection of Child Protection Arrangements: Denbighshire County Council, Betsi Cadwaladr University Health Board, North Wales Police	  230517-Denbighshire-JICPA-en-easyreac re-JICPA-en.pdf

Progress in Delivering the Internal Audit Assurance

Since the last Internal Audit update in April 2023, Internal Audit has moved over to the newly named Finance and Audit Service and will report to the S.151 officer and HoS.

The last 3 months has seen Internal Audit carrying one vacancy, but we have now recruited into the vacant Senior Auditor post with a third Career Pathway – Auditor who is due to start on the 17 July 2023. We have also had a member of the team off on long-term sick, but they have now returned and going forward it will be good to have a full complement of staff.

Internal audit monitors performance in relation to addressing actions arising from audit reviews. It is management's responsibility to address the actions and record progress on the performance management system (Verto). Internal Audit continues to perform a 'follow up' and reports on progress with implementing action plans arising from low assurance audits to ensure that necessary improvements are being made.

Audits due to commence shortly include:

- DLL reviews (completed under a SLA, but feed into the S.151 annual Financial Statement);
- UK Resettlement Team
Cefyndy
- Insurance;
- Court of Protection;
- Partnership Arrangements; &
- Risk Management.

Internal Audit FWP

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Risk Management	Not yet started	-	-	-	-	
Fostering	Not yet started	-	-	-	-	
Looked after children – Independent Reviewing Officers	Not yet started	-	-	-	-	
Programme & Project Management	Not yet started	-	-	-	-	
Financial Systems	Not yet started	-	-	-	-	
Revenues & Benefits	Not yet started	-	-	-	-	
Internal Audit of Housing Support Grant 2023/24	Not yet started	-	-	-	-	
Liberty Protection Safeguards	Not yet started	-	-	-	-	
Mediquip	Not yet started	-	-	-	-	
Court of Protection	Not yet started	-	-	-	-	
Internal Audit of ICT Asset Management	Complete	High ●	0	0	1	
Community Equipment Service	Not yet started	-	-	-	-	
Denbighshire Leisure Limited (DLL)	Not yet started	-	-	-	-	
Youth Service	Not yet started	-	-	-	-	
Process Review of Library Fees and Charges	Complete	N/A	N/A	N/A	N/A	
Procurement – pre-tender stage	Not yet started	-	-	-	-	
Partnership Arrangements	Not yet started	-	-	-	-	
Cefndy Healthcare	Not yet started	-	-	-	-	

Internal Audit Update – July 2023

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Tackling Poverty	Not yet started	-	-	-	-	
Denbigh High School	Scope	-	-	-	-	
Ysgol Esgob Morgan	Scope	-	-	-	-	
Ysgol Pentrecelyn	Scope	-	-	-	-	
Ysgol Dinas Bran	Scope	-	-	-	-	
Ysgol Bro Famau	Scope	-	-	-	-	
Ysgol Emmanuel	Scope	-	-	-	-	
Ysgol Henllan	Scope	-	-	-	-	
Ysgol Bro Dyfrdwy	Fieldwork	-	-	-	-	
Ysgol Bodfari	Fieldwork	-	-	-	-	
Ysgol Trefnant/Llanbedr	Draft Report	-	-	-	-	
Ysgol Plas Brondyfryn	Not yet started	-	-	-	-	
Ysgol Bryn Collen	Completed	High ●	0	0	2	
Ysgol Gwenant	Draft Report	-	-	-	-	
Rhuddlan Town Council	Completed	High ●	0	0	0	
Asset Management	Not yet started	-	-	-	-	
Health and Wellbeing	Not yet started	-	-	-	-	
Flood Risk Strategy	Not yet started	-	-	-	-	
Insurance	Not yet started	-	-	-	-	
Planning Applications	Not yet started	-	-	-	-	
Post-16 Education Grant	Not yet started	-	-	-	-	
Housing Support Grant 2022/23	Completed	High ●	0	0	0	
Council Run Care Homes	Not yet started	-	-	-	-	
Blue Badges	Not yet started	-	-	-	-	
AONB Grant	Completed	High ●	0	0	0	

Internal Audit Update – July 2023

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Cash Collection	Not yet started	-	-	-	-	
ALN	Not yet started	-	-	-	-	
Wellbeing Impact Assessment	Not yet started	-	-	-	-	
National Fraud Initiative	Not yet started	-	-	-	-	
UK Resettlement Team	Fieldwork	-	-	-	-	
Taxi Licensing	Not yet started	-	-	-	-	
Staff PayScale review	Not yet started	-	-	-	-	
Housing Contact Centre / Corporate Call centre	Not yet started	-	-	-	-	
Liberty Gas	Not yet started	-	-	-	-	
Contract Management of ICT system	Not yet started	-	-	-	-	
Climate Change & Ecological Change Programme	Not yet started	-	-	-	-	
Work Force Planning	Complete	Medium Assurance ●	0	0	2	
Christ the Word	Draft Report	-	-	-	-	
Whistleblowing Investigation	As required.	-	-	-	-	
Follow up audits	Ongoing	-	-	-	-	
School Funds Audits	Ongoing	-	-	-	-	

Progress with Counter Fraud Work

Counter fraud work carried out since the last internal audit update includes:

1. Providing advice on counter fraud to officers on request.
2. National Fraud Initiative (NFI) update - Data matches for the 2022-23 exercises have been released and work has started on checking the matches.
3. Education Support continue to prompt schools to maintain up-to-date school fund certificates. We are currently looking at on-line banking arrangements for school fund as schools are looking to move away from cheques.
4. The Strategy for the Prevention and Detection of Fraud, Corruption and Bribery and Fraud Response Plan are available on the Council's website and the North & Mid Wales Audit Partnership Fraud sub-group is looking at developing an E-learning module to advise staff on what to do should they suspect fraud.
5. A template Counter Fraud Policy and procedural guidance has been produced for schools and following the success of the first training session in January 2023 we are looking at repeating the exercise in September/October 2023.
6. Alerts from the National Anti-Fraud Network (NAFN) reviewed with the relevant service and response taken accordingly.
7. Responding to a whistleblowing response and counter response of concerns of potential fraud. This is an on-going investigation and the findings will be shared with relevant officer.

Referrals 2022/23

While it is not Internal Audit's role to identify or investigate fraud, as this responsibility rests with management, Internal Audit keeps abreast of potential fraud from a view of ensuring that any governance, risk management or control weaknesses are addressed in line with Financial Regulations and the Strategy for the Prevention and Detection of Fraud, Bribery & Corruption.

Internal Audit Update – July 2023

During the first three months of 2023/24 financial year, we have been asked by two separate services to investigate potential frauds. In both cases the issues are around misappropriation of grant funding.

Whistleblowing concerns are reported separately to Committee as part of the Annual Whistleblowing Report but are detailed above should there be an element relating to potential fraud.

Internal Audit Performance Standards

The table below shows Internal Audit's performance to date for 2022/23.

Performance Measure	Target	Current Performance
Send a scoping document before the start of every audit	100%	100%
Issue draft report within 10 days of the closing meeting	Average days less than 10	6.6 days
Issue final report within 5 days after agreeing the draft report and action plan	Average days less than 5	2.9 days
Percentage of audit agreed actions that have been implemented by services	75%	Please see explanation below

The audit agreed actions that have been implemented by service figure has been left blank because currently School reviews have not been entered on Verto, which means that we are not picking up all actions and secondly, we have noted that not all Services are updating their action status on Verto. Therefore, we will look at addressing the issues identified and update this figure for the next Governance and Audit Committee.

Internal Audit are prioritising the completion of assurance work and continue to follow up previous reviews awarded a low assurance to ensure that necessary improvements are being made. While many actions are taking longer to resolve than originally envisaged by services, we are satisfied that progress is still being made to implement the requisite change.

Appendix 1 – Assurance Level Definition

Assurance Level	Definition	Management Intervention
High Assurance ●	Risks and controls well managed and objectives being achieved	Minimal action required, easily addressed by line management
Medium Assurance ●	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives.	Management action required and containable at service level. Senior management and SLT may need to be kept informed.
Low Assurance ●	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.	Management action required with intervention by SLT.
No Assurance ●	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives.	Significant action required in a number of areas. Required immediate attention from SLT.

Risk Issue Category	Definition
Critical ●	Significant issues to be brought to the attention of SLT, Cabinet Lead Members and Governance and Audit Committee.
Major ●	Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT.
Moderate ●	Operational issues that are containable at service level.

Report to	Corporate Governance & Audit Committee
Date of meeting	26 July 2023
Lead Member / Officer	Cllr Gwyneth Ellis / Steve Gadd – Head of Finance and Audit
Report author	Bob Chowdhury – Chief Internal Auditor
Title	Annual Governance Statement 2022 - 2023

1. What is the report about?

- 1.1. To demonstrate good governance, the Council must show that it is complying with the core principles set out in the Framework for Delivering Good Governance in Local Government (Wales) 2016 edition. The Annual Governance Statement (AGS) is prepared using a self-assessment and reports on the council's governance and improvement arrangements for 2022-23, along with progress in addressing the improvement actions contained within the AGS 2021-22. The AGS is reported as part of the final Statement of Accounts.

2. What is the reason for making this report?

- 2.1. The Council has a statutory duty to publish an AGS in compliance with the Accounts and Audit (Wales) Regulations 2014. As amended by the Accounts & Audit (Wales) (Amendment) Regulations 2018. The report provides the committee with the opportunity to comment on this year's annual governance statement separately to the Statement of accounts so that it may be given due consideration.

3. What are the Recommendations?

- 3.1. The committee reviews and approves the draft annual governance statement for 2022-23 (Appendix 1) and monitors the progress made on the action plan from 2021-22.

4. Report details

- 4.1. The Annual Governance Statement 2022-23 (Appendix 1) was developed by performing a self-assessment of the Council's governance arrangements against the Framework for Delivering Good Governance in Local Governance (Wales) 2016 edition. This was conducted by an officer group representing the key governance functions from across the Council. The AGS referenced various evidence sources and assurance sources such as the Internal Audit Annual Report, Annual Performance Report, External Audit reports, and risk registers.
- 4.2. A summary of the impact of Covid-19 on governance arrangements and considerations with regards to leaving the European Union has again been included within the statement, together with a review of the new ways of working for staff and members. The statement has also reviewed committee meetings and how they are now all on line and webcast arranged to ensure good governance arrangements.
- 4.3. The AGS highlights any areas for improvement to governance arrangements in an action plan. Progress against the previous year's improvement plan shows good progress and any actions which are ongoing have been carried forward into the current year's improvement plan.

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

- 5.1. While the AGS does not directly contribute to the 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?

- 6.1. There are no direct costs associated with this report.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. Not applicable.

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

8.1. The AGS was produced with input from key governance officers. It will be presented to the Senior Leadership Team and will be reviewed by Audit Wales (previously Wales Audit Office) as part of the financial accounts audit.

9. Chief Finance Officer Statement

9.1. Not applicable.

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

10.1. If the 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

11.1. Not applicable.

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Annual Governance Statement 2022 – 2023

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Annual Governance Statement

1. Introduction and background

- 1.1 Denbighshire County Council (the Council) is responsible for making sure that its business is carried out in accordance with the law and proper standards. The Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018) require the Council to conduct a review on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts
- 1.2 The statement has been prepared in accordance with the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) – ‘Delivering Good Governance in Local Government Framework’ (2016). This is to show that the Council:
- Conducts its business in accordance with relevant laws and regulations;
 - Properly accounts for and safeguards public money;
 - Uses its resources economically, efficiently and effectively to achieve agreed priorities that benefit local people.
- 1.3 The Council has adopted the ‘Core Principles’ which underpin the CIPFA / SOLACE framework to form its Corporate Governance Framework. The seven core principles are set out below:
- A. Behave with integrity
 - B. Engage with stakeholders
 - C. Define outcomes
 - D. Ensure planned outcomes are achieved
 - E. Develop capacity, capability and leadership
 - F. Manage risks and performance effectively
 - G. Demonstrate transparency and accountability

Annual Governance Statement

- 1.4 The review against the CIPFA/SOLACE framework highlights if there are opportunities to improve the Council's arrangements. Where this is the case, an action plan is included to ensure that the necessary action is taken.

2 The Governance Framework

2.1 Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

2.1.1 The Council's Constitution includes the Codes of Conduct for members and officers and demands a high standard of behaviour. Mandatory training for officers has been deployed to ensure that staff are aware of the code of conduct and other key policies. These are supported by more detailed guidance such as the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery, Whistleblowing Policy, Financial Regulations and Contract Procedure Rules. The Corporate Director – Governance & Business (Monitoring Officer) and Head of Finance & Property Services (Section 151 Officer) both have responsibilities to ensure that Council decisions meet legal requirements.

2.2 Principle B - Ensuring openness and comprehensive stakeholder engagement

2.2.1 The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards.

2.2.2 The resident survey has been replaced by the Stakeholder Survey to comply with the requirements of the Local Government and Elections (Wales) Act 2021 and inform the Council's Self-Assessment of performance against its functions. During November 2022 and March 2023 the council launched its

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‘Stakeholder Survey’ for the second time, to ask specific questions now required under the Act.

2.2.3 The Council publishes information on the website and all Council meetings are now webcast. Online meetings were set up during Covid-19 and due to the success of these meetings, the council has now moved to a hybrid style meeting approach.

2.2.4 Internal Communication channels involve press releases and online releases through social media channels (Facebook and Twitter) and the County Conversation portal.

2.3 Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

2.3.1 The strategic vision for Denbighshire is set out in its Corporate Plan. The new Corporate Plan 2022 to 2027 was approved by Council in October 2022. It sets out our Well-Being Objectives (otherwise referred to as our Corporate Plan themes), and our commitments in relation to the seven governance areas, and the Public Sector Equality Duty (which includes the new Socio-Economic Duty). Many of our Corporate Plan themes build on the work started in our last Corporate Plan demonstrates our commitment to using evidence and stakeholder aspirations to plan for the long term to prevent problems from deteriorating or developing in the first place. In short, we are committed to embedding the sustainable development principle and five ways of working.

2.3.2 The council has undertaken significant work in this year to develop its new Corporate Plan Performance Management Framework, with excellent engagement and input at all levels of the organisation. Significantly, the new framework will address concerns around a lack of national benchmarking within the council’s corporate performance reporting and elevate a significant amount of service level performance data to its public reports. New

Annual Governance Statement

governance arrangements for the new Corporate Plan are being established and these will involve either establishing new Boards or redefining existing arrangements.

2.3.3 Our Self-Assessment, which is due to be published online [here](#) imminently, demonstrates that during the year we have used our resources economically, efficiently, and effectively; that our governance is functioning and effective; and that our focus is on securing the best possible outcomes for our environment and communities in Denbighshire.

2.3.4 This self-assessment summarises our performance and governance across the year into some general observations about our strengths and weaknesses, opportunities and challenges. Our Self-Assessment Performance Update report for the period January to March 2023, provides a baseline position for the new Corporate Plan using our new performance management framework. It provides an overview of performance against our measures and our projects, and highlights areas needing particular attention and effort.

2.3.5 A Wellbeing Impact Assessment is completed to inform significant decisions and [an assessment was undertaken for the new Corporate Plan](#). We have been in discussions with Public Health Wales, Welsh Government and other local and national partners on the arrangements for mandatory Health Impact Assessment and we are confident our existing assessment will or can meet any new requirements.

2.4 Principle D - Determining the intervention necessary to achieve intended outcomes

2.4.1 Senior Management and Members (via Scrutiny committees and the Governance & Audit Committee), ensure the Council remains focussed on achieving its objectives and priorities. Our Chief Executive has led on a restructure of our Corporate Executive and Senior Leadership Teams (having

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appointed two new directors to key roles, and agreeing a new structure for services from April 2023). New governance arrangements to ensure effective delivery of the new Corporate Plan themes.

2.4.2 The council's Self-Assessment of Performance for 2022 to 2023 has been approved by Council in July 2023, and includes an assessment against our governance functions, as recommended by the statutory guidance for the Local Government & Elections (Wales) Act 2021. The Quarterly Performance Reports that make up the Self-Assessment have also continued to catalogue the activity of our principle meetings (Council, Cabinet, Scrutiny, and Governance and Audit), key news items, and reports by our internal audit and external regulators.

2.4.3 Like most other councils in Wales, we know that we still need to consider arrangements to put a Peer Assessment Panel in place in the term of the current council, responding to the Local Government and Elections (Wales) Act, 2021.

2.4.4 Service Performance Challenges were suspended this year and will resume from April 2023. These are instrumental in identifying potentially transformative actions to address deficiencies in services, to better align services with strategic and collaborative objectives, and to support services to maximise opportunities to achieve better value for money or service outcomes. Actions arising from these challenges will be reported as Improvement Actions through our quarterly self-assessment reports.

2.5 Principle E - Developing capacity, including the capability of leadership and individuals within the Council

2.5.1 Development is directed by the leadership strategy, apprenticeship schemes and an e-learning portal is used to develop staff at all levels.

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- 2.5.2 Our corporate plan was developed using the body of evidence developed by the Public Service Board. Discussion at that level - and across Boards such as the Regional Leadership Board and the North Wales Economic Ambition Board - has informed the development of our Plan.
- 2.5.3 The Council also works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. A partnership (Alternative Service Delivery model) toolkit continues to be in place to set out key requirements and tools for ensuring partnerships are managed effectively.
- 2.5.4 Our senior leadership restructure was consulted on and implemented at Director-level from summer 2022, with the complete senior leadership structure being implemented from April 2023. This has taken longer than expected but will result in a transformational redesign of services, whereby the council is on the 'front foot' in relation to influencing and preventing demand; better positioned to maximise opportunities; and has clearer leadership on important matters like climate change and Welsh language.
- 2.5.5 We have completed a review of our flexible working policy and guidance, and subject to approval from Cabinet, these will be implemented from June 2023 together with support for staff and managers with the new ways of working. A fresh workforce planning process will commence once the new senior leadership structure is in place later in the year.
- 2.5.6 Workforce planning has continued to grow in significance as the consequences of the pandemic and changes in work patterns and opportunities have heightened challenges in relation to recruitment and retention across the council.

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2.6 Principle F - Managing risks and performance through strong internal control and financial management

- 2.6.1 Corporate risk registers are updated as a minimum twice every year, with significant risks brought to the attention of senior management and members. A Risk Register summary was created during the year to help communicate the growing number of risks that the council faces in the current global climate. The council's risk appetite statement was also reviewed and updated. The council's previously 'minimalist' risk appetite in relation to Workforce: Terms and Conditions was relaxed very slightly to a 'cautious' risk appetite, to reflect the way we are 'flexing' recruitment processes – in a safe way – to alleviate challenges in filling roles. All other aspects of our risk appetite statement have remained the same.
- 2.6.2 This year we have seen a growing interdependency between risks (in terms of existing risks growing in likelihood or impact), and national and global issues that are beyond our control, such as the deterioration in the economy and continuing pressures in relation to recruitment and retention. We apply a "three lines of defence model" whereby for our most serious corporate risks, we use performance data, identify key and ancillary controls, and identify external and internal assurance that is in place or is planned. For example, the risk of "a serious safeguarding or practice error, where the council has responsibility, resulting in serious harm or death" was escalated during the year. Our governance has responded to this with increasing oversight by Cabinet, Performance Scrutiny and Governance and Audit; whereby the relationship between risk management, corporate planning and workforce planning have been highly connected, and will be subject to further interrogation by Internal Audit in the new financial year.
- 2.6.3 The council has drafted a revised Information Risk Policy, which it will shortly seek approval for. The requirement for services to consider Information Risk

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was part of their Service Planning for 2023 to 2024 and services are also encouraged to continually review their Service Risk Registers, which should capture any information risks that services are carrying.

2.6.4 The Council has a strong track record in financial management, delivering services within budget and timely production of the accounts in response to the early closure requirements.

2.6.5 Internal Audit assess the overall quality of risk management, governance and internal control and agree actions for improvement as necessary.

2.7 Principle G - Implementing good practices in transparency, reporting and audit to deliver effective accountability

2.7.1 The external assessment of Internal Audit confirms it conforms to the Public Sector Internal Audit Standards. External regulators provide independent assessments, notably: Audit Wales, Care Inspectorate Wales, Estyn and Ombudsman for Wales; overall positive results with no significant issues raised.

2.7.2 The Council provides clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The website has been updated to meet Accessibility Standards. Minutes of meetings and key decisions are published on the Council's website.

2.7.3 Council meetings are carried out online and are now also available to the public in accordance with legislative requirements.

2.8 Covid-19 Impact on Governance

2.8.1 As the impact of Covid-19 pandemic drew to a close in the first quarter of 2022/23, the impact to the Council and our residents required the council to adapt the way we deliver services to our residents as well as creation of new

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services. This has resulted in changes to governance arrangements, with council meetings moving to a hybrid set up, and prioritisation of service delivery to cope with changing demand.

2.8.2 The Council now has simultaneous translations to virtual meetings which are now able to be webcast to allow public access and increase transparency and openness.

2.8.3 As restrictions have been lifted, the Council implemented new rules to allow key employees access to work from a council office. The Council has also left shielding arrangements for employees classed as high risk. Implementing processes at speed in response to Welsh Government grants for financial support to small businesses (NNDR).

2.9 Cost of Living Crisis

2.9.1 Internal Audit during 2022/23 has worked with our Revenues and Benefits service to support the team in rolling out the following Welsh Government support grants:

- Cost of living crisis support for Denbighshire residents;
- Winter fuel scheme for Denbighshire residents; &
- Alternative fuel funding.

2.9.2 Internal Audit has provided support and assistance around setting up appropriate controls to ensure that all payments claimed are made by genuine residents and the amounts being claimed are correct.

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3 Key contributors to developing and maintaining the Governance Framework

Key Contributors	Contribution
Council	<ul style="list-style-type: none"> • Approves the Corporate Plan • Endorses the Constitution • Approves the policy and financial frameworks
Cabinet	<ul style="list-style-type: none"> • Primary decision-making body of the Council • Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios
Governance & Audit Committee	<ul style="list-style-type: none"> • Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards Committee	<ul style="list-style-type: none"> • Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct
Programme & Project Boards	<ul style="list-style-type: none"> • Track efficiencies, highlighting risk and mitigating actions to achievement • Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery • Plan communication and engagement activity
Scrutiny Committees	<ul style="list-style-type: none"> • Review and scrutinise the decisions and performance of Council, Cabinet, and Committees • Review and scrutinise the decisions and performance of other public bodies including partnerships
Licensing and Planning Committees	<ul style="list-style-type: none"> • Licensing Committee considers issues relating to taxis, entertainment, alcohol, food premises and miscellaneous licensing functions. • Planning Committee makes decisions on development control issues, including applications for planning permissions.

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Key Contributors	Contribution
Corporate Executive Team, Senior Leadership Team & Managers	<ul style="list-style-type: none"> Responsible for developing, maintaining and implementing the Council's governance, risk and control framework Contribute to the effective corporate management and governance of the Council
Internal Audit	<ul style="list-style-type: none"> Provide an independent opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements Delivers a programme of risk based audits, including counter fraud and investigation Identifies areas for improvement in the management of risk
External Audit	Audit and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources

The Governance Framework above are now all operating as hybrid meetings with members and officers choice to either join on-line or attend the meeting in person. Meetings are now carried out online and webcast to allow the public to attend. Members and Officers have adapted to the new way of working and it ensures transparency and openness.

3.1 Review of Effectiveness

3.1.1 The effectiveness of governance arrangements is measured in several ways, and in 2020/21, the first year in which the Council has prepared group accounts, the Council has considered its relationship with its group entities, i.e. Denbighshire Leisure Limited, in conducting its review.

3.1.2 The Corporate Governance Officer's Group reviewed the Council's arrangements against the CIPFA/Solace Framework in March 2023 and confirmed that governance arrangements such as the Code of Conduct, Financial Regulations, and other corporate processes have broadly operated

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as intended during the year; there were instances of non-compliance as highlighted by Internal Audit reviews. The Corporate Governance Framework is updated to reflect the current arrangements and will continue to be updated to reflect developments.

3.2 Internal Sources of Assurance

3.2.1 Our Self-Assessment report for 2022 to 2023 went to the Governance and Audit Committee on 14 June and was approved by Council on 4 July.

3.3 Internal Audit Annual Opinion

3.3.1 One of the key assurance statements, in reviewing effectiveness, is the annual report and opinion of the Chief Internal Auditor. Internal Audit operates a flexible audit plan which enables it to refocus on changing priorities during the year. The focus of Internal Audit work in 2022/23 was to again audit areas considered to be a higher risk and the resultant changes to control processes. The Chief Internal Auditor's opinion is that the council's governance, risk management and internal control arrangements in the areas audited continue to operate satisfactorily. While the scope of assurance work was reduced due to the three investigations, recruitment, and staff sickness, reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Council. Improvement in the following areas were recommended:

Internal Audit Low Assurance Reports Issued in 2022/23	Agreed actions relating to significant risks/issues
None were issued	N/A

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4.0 Chief Finance Officer Statement on Compliance with the Financial Management Code

4.1 The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities.

4.2 The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

Each local authority must demonstrate that the requirements of the Code are being satisfied.

4.3 As Section 151 Officer I have the Statutory Responsibility (supported by the Corporate Leadership Team and Elected Members) for ensuring compliance with the FM Code. I have carried out a full assessment of Denbighshire's compliance with the FM Code, as part of the annual review of the Annual Governance Statement and I can confirm that in my opinion Denbighshire is compliant with the code in the majority of areas. However, areas of improvement have been identified, many of which are already underway, including:

- Develop Council's Project Management 'Verto' system to integrate more fully with Capital Business Plan process.
- Develop use of full-life costing in option appraisal.

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- Further develop the Budget Process to embed long term decision-making and consultation as core principles
- We will continue to lobby for multi-year indicative settlement figures from Welsh Government.
- Complete the annual review of the Medium Term Financial Strategy.

5.0 Key indicators

5.1 The adequacy of governance arrangements can also be gauged using several key outcome indicators:

Key performance indicators	Outcomes 2022/23
Statutory reports issued by the Monitoring Officer (Section 5 - Local Government and Housing Act 1989)	None issued
Proven frauds by councillors or members of staff	None in 2022/23
Ombudsman referrals 2022/23	No complaints upheld
Internal audit reports	No low assurance reviews
Complaints about elected members	5 in 2022/23
Number of negative reports from our External Regulators	None in 2022/23

6.0 Assurances from External Regulators:

Audit Wales

6.1 The Council's external auditor, Audit Wales, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The draft accounts

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were signed by the Head of Finance on the 27th June; they were made available for audit as required and were open to public inspection from 15th July to 11th August.

6.2. Further to an issue regarding infrastructure assets which impacted all Welsh local authorities and would delay the audit to January 2023, two more specific issues were raised in the meantime concerning DCC's council house asset values which required a prior period adjustment. Due to the complexity involved a decision was made to delay the final audit work on the 2021-22 Statement of Accounts until Summer 2023.

6.3 Annual Audit Summary Report 2022 provided a summary of their audit work which included:

- Continuous Improvement – The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.
- Assurance and risk assessment review - We reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Our work focused on the following aspects of the Council's arrangements:
 - The Local Government and Elections Act (Wales) 2021
 - Recovery planning
 - Carbon reduction plans
 - Self-assessment arrangements

Our findings from this work will be set out in our Assurance and Risk Assessment Report.

- Springing forward review – assets and workforce - During 2021-22, we examined how councils are strengthening their ability to transform, adapt and

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maintain the delivery of services. Our work focused on the Council's strategic management of its assets and workforce. In our report we found that overall the Council is actively developing its New Ways of Working Project, which will impact on both its building assets and its workforce, integrating this activity with wider strategies, and looking further ahead will strengthen the Council's consideration of the sustainable development principle.

Local projects

- Delivering Sustained Performance Improvement - During 2021-22 we examined if the Council's performance management arrangements are robust and likely to support continuous and sustainable improvement as it rebalances from the impact of COVID-19. In our report we found that the Council's performance management arrangements are supporting the delivery of the Council's corporate priorities, with opportunities to strengthen arrangements in some areas.

7.0 Estyn and Care Inspectorate Wales

7.1 The Council is subject to Statutory External Inspections from various bodies including ESTYN and Care Inspectorate Wales (CIW). Recent work is summarised below:

- CIW have identified strengths and areas for priority improvement, and they will review the progress of these areas through their performance evaluation review meetings with the Council's heads of service and director.
- There were no Denbighshire County Council inspections in this period, but Estyn has resumed its inspection of local schools in Denbighshire, and services that are registered with CIW in Denbighshire are subject to regular review.

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8.0 Action Taken in Response to 2021/22 Annual Governance Statement

8.1 Last year’s Annual Governance Statement highlighted seven areas for improvement. The table below sets out the action taken to address these issues during 2022/23:

Improvement areas identified in 2021/22	Progress to date
<p>Review and update Officers’ code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.</p>	<p>This is still ongoing as the service over the last year has been involved in recruitment for two Corporate Directors, five Head of Service and have recruitment challenges within the service.</p> <p>It has been agreed at the HoS meeting in June 2023 that this would be rolled over into 2023/24.</p>
<p>Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code</p>	<p>Welsh Government provided a one-year indicative settlement figure in 2023/24 for 2024/25. We will continue to lobby for the return of multi-year indicative settlement figures.</p> <p>We reviewed the Medium-Term Financial Strategy and will continue to review on an annual basis.</p> <p>We monitored the impact of external pressures, such as legacy impact of Covid-19 and Cost of Living crisis, on our budgets and demand for services.</p> <p>We will continue to include the un-earmarked reserves in the corporate dashboard to compliment the annual outturn projections.</p> <p>Work on the following areas are continuing and will be rolled over to 2023/24:</p> <ul style="list-style-type: none"> • Further develop the Budget Process to embed long term decision-making and consultation as core principles.

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Improvement areas identified in 2021/22	Progress to date
Address contract management weaknesses highlighted by Internal Audit.	Internal audit completed two more follow-ups during the year and in November 2022, the assurance rating went from medium to high assurance as we noted a significant progress by the Procurement team. No further action required.
Implement requirements of the Local Government & Elections (Wales) Act 2021.	The Head of Legal, HR & Democratic Services and Strategic Planning & Performance Manager have completed this task.
Workforce capacity and resilience and reliance on key positions	<p>The last two CET positions, Corporate Director – Governance & Business and Corporate Director – Economy & Environment were filled in September 2022.</p> <p>The consultation paper on the review of the Senior Leadership Team (SLT) was approved in January 2023 and the five Head of Service positions will be filled by the end of July 2023.</p> <p>A review of the workforce plan has been completed by Internal audit and a medium assurance rating was provided. We confirmed that HR are working effectively through their action plan, but our review identified that certain positions are difficult to fill and therefore, we will look at a follow up in Quarter 4.</p>
Review the Whistleblowing Policy	This review has not been completed again this year due to several factors and it has been agreed to roll into the following year.
Uncertainty over future funding arrangements following EU Exit.	<p>Resources and processes put in place to ensure that the Council maximises the opportunities in relation to the new UK Funding Initiatives including the UK Levelling Up Fund, UK Community Renewal Fund and the forthcoming UK Shared Prosperity Fund.</p> <p>Denbighshire has been successful in applying for the various funds available and we have been working with the services to ensure</p>

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Improvement areas identified in 2021/22	Progress to date
	appropriate controls around diligence checks are in place to safeguard the monies and ensure the projects are completed.

9.0 Improvement Actions Arising from 2022-23 Annual Governance Statement

9.1 Looking ahead, the following areas for improvement have been identified to be addressed in 2023/24. This takes into consideration the continued impact of the coronavirus pandemic on governance:

Improvement areas identified for 2023/24	Agreed action
Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.	<p>Review and update Officers' code of conduct and the process for capturing and response taken to declaration of interest, gifts and hospitality.</p> <p>Revised system to capture officer declaration of interests and gifts and hospitality.</p> <p>Strategic HR Manager by 31/03/2024</p>
Workforce capacity and resilience and reliance on key positions	<p>Recruit vacant five Head of Service positions by the end of July 2023</p> <p>Internal Audit to look at a follow up of workforce planning process.</p> <p>Chief Internal Auditor by 31/03/2023.</p> <p>New Ways of Working Project includes a work-stream developing new HR policies to support future work patterns</p>
Review the Whistleblowing Policy	Update the policy capturing lessons learned from recent concerns raised.

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Improvement areas identified for 2023/24	Agreed action
	Corporate Director – Governance & Business by 31/03/2024
Address exceptions, exemptions and variations from Contract Procedure Rules (CPRs)	This was not reviewed due to restructuring / recruitment issues. Once the service has been restructured and a manager appointed, Internal Audit will review progress report the findings to the next Governance & Audit committee.
Continuing budget pressures and uncertainty over funding. Also, address any actions arising from the review of the Financial Management Code	<p>Welsh Government provided a one-year indicative settlement figure in 2023/24 for 2024/25. We will lobby for the return of multi-year indicative settlement figures.</p> <p>We reviewed the Medium-Term Financial Strategy and will continue to review on an annual basis.</p> <p>Work on the following areas are continuing and will be rolled over to 2023/24:</p> <p>Develop the Council's Project Management system to integrate with Capital Business Plan process.</p> <p>Further develop the Budget Process to embed long term decision-making and consultation as core principles.</p>
Uncertainty over future funding arrangements following EU Exit.	<p>Denbighshire has been successful in applying for the various funds available and we have been working with the services to ensure appropriate controls around diligence checks are in place to safeguard the monies and ensure the projects are completed.</p> <p>The next stage will be to provide support to services around maintaining appropriate financial records and where required, completing an audit of the completed accounts to comply with funding regulations.</p>

The areas for improvement that we have identified will be monitored by the Governance & Audit Committee and the Corporate Governance Officers Group. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

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Certification

We propose over the coming year to take steps to address the issues identified in our Governance Improvement Action Plan 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.

Name Cllr Jason McLellan, Leader of the Council

Signed

Dated

Name Graham Boase, Chief Executive

Signed

Dated

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
20 Sept 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
	4	Audit of Accounts Report 2021-22			Head of Finance – Steve Gadd
	5	Approval of the Statement of Accounts 2021/22	To receive the audited accounts	Yes	Head of Finance – Steve Gadd
	6	Draft Statement of Accounts 2022/23			Head of Finance – Steve Gadd
	7	Annual Corporate Health and Safety report	To consider the Health & Safety management within DCC during 2021-2022.		Corporate Health and Safety Manager – Gerry Lapington
	8	Fire Safety Report	To receive the annual report on the Fire Safety programme and performance.		Fire Safety Manager – Dawn Jones

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
	9	Joint Inspection of Child Protection Arrangements Inspection Report and Action Plan	To receive the action plan and Joint inspection report.		Nicola Stubbins/ Geraint Davies
	10	Panel Performance Assessment			Iolo McGregor
	11	Annual Whistleblowing Report			Gary Williams – Monitoring Officer
	12	Draft Annual Governance and Audit Committee Report (This report will cover the previous years)	To present to Full Council- the annual report from Governance and Audit		Gary Williams – Monitoring Officer
	13	Workforce Planning	To receive an update following an internal audit.		Chief Internal Auditor
22 Nov 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
	5	Budget Process Update			Head of Finance – Steve Gadd

Meeting		Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer
	6	Corporate Risk Register: September 2023 Review	Review the risks facing the council and our risk appetite statement.		Iolo McGregor/Heidi Barton-Price
	7	Annual SIRO report			
	8	Annual RIPA report			Gary Williams – Monitoring Officer
31 Jan 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
6 March 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager

Meeting		Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Chief Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
24 April 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
12 June 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Chief Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
24 July 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			

Meeting		Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer
25 Sept 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Chief Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
20 Nov 24	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans/ Karen Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			

Meeting	Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer

FUTURE ITEMS			
	1	Updates of Commissioning of older peoples care home placements.	Nicola Stubbins – To present to committee when an update is available.
	2	Net Carbon Zero	Helen Vaughan-Evans
	3	Internal Audit – Follow up report – Exceptions and Exemptions	Chief Internal Auditor to update members following the Internal Audit report
	4	Capital Projects -Contingency Report	Head of Finance – Steve Gadd

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.

Date Updated : 3/7/2023 SJ

FUTURE TRAINING DATES

<u>Date and Time</u>	<u>Topic</u>	<u>Officer</u>
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21 July 2023 – 2pm Start	CIPFA training	Chief Internal Auditor
14 September 2023 – 2pm Start	Statement of Accounts	Section 151 Officer

Are the Council's Corporate Support Functions Effective? – Denbighshire County Council

Audit year: 2022-23

Date issued: May 2023

Document reference: 3461A2023

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This document is also available in Welsh.

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Summary report

What we reviewed and why

- 1 The review examined Denbighshire County Council's (the Council) arrangements for its corporate support functions within four key areas: Human Resources (HR); Corporate Customer Services; Digital Services; and Internal Audit.
- 2 We looked at the vision and strategic direction of these corporate support functions to consider if they effectively and adequately support the Council's objectives.
- 3 The review also considered if the Council's corporate support functions are taking account of the sustainable development principle.

What we looked for

- 4 Our review sought to answer the question: Are the Council's corporate support functions effective?
- 5 To answer this question, we considered:
 - if existing arrangements for the Council's corporate support functions were based on a thorough understanding of current and future service needs, challenges, and opportunities including consideration of the sustainable development principle;
 - if the Council has appropriately considered and planned how it will resource its corporate support functions over the short, medium, and long term; and
 - if the Council has appropriate arrangements in place, to monitor and review its short, medium and longer-term corporate support function objectives.

What we found

- 6 We found that: the Council's corporate support functions have a good understanding of the sustainable development principle but the Internal Audit service does not consistently consider the principle in all its audit work, some Human Resources policies are out of date and although the Council has appropriate monitoring arrangements in place it is yet to consider the future strategic objectives and resourcing needs of the functions we examined. We reached this conclusion because:
 - the Council's corporate support functions have a good understanding of the sustainable development principle but the Internal Audit service does not consistently consider the principle in all its audit work and some Human Resource policies are out of date; and
 - although the Council has appropriate monitoring arrangements in place it is yet to consider the future strategic objectives and resourcing needs of its corporate support functions we examined.

Recommendations

Exhibit 1: recommendations

The table below sets out the recommendations that we have identified following this review.

Recommendations	
R1	Human Resource (HR) policies that are out of date should be reviewed. We found that some Human Resource (HR) policies are out of date and need to be reviewed. This can put the Council at risk, should a legal challenge arise around HR, if policies are not up to date and review dates have slipped.
R2	Internal Audit reviews should consistently consider the sustainable development when reviewing services. Service area compliance with sustainable development principles need to be systematically checked for all non-transactional audits by Internal Audit in their reviews. By Internal Audit more regularly considering how services are addressing this area, the sustainable development principle will be more deeply embedded within the Council.

Detailed report

The Council's corporate support functions have a good understanding of the sustainable development principle, but the Internal Audit service does not consistently consider the principle in all its audit work and some Human Resource policies are out of date

7 In reaching this conclusion we found that:

- all the corporate support services staff we spoke to had a good understanding of the Well-being for Future Generations (2015) Act (WFG) and the sustainable development principle. Corporate support services staff use the Council's Well-being Impact Assessments (WIA) process for considering change or introduction of policies and projects.
- we found that some Human Resource (HR) policies are out of date and need to be reviewed. This can put the Council at risk, should a legal challenge arise around HR, if policies are not up to date and review dates have slipped. The Council's policy is that HR policies are set to be reviewed on a three-year basis, but if any changes in legislation occur during that time then the policy should be updated immediately. The policies are 'informally reviewed' during those three years and any issues with wording or interpretation of the policy will be addressed and minor changes can and will be made. The HR policies we examined in 2022 did not record these 'informal reviews' having taken place, nor were they within the three-year cycle. The policies were therefore out of date, and the risk of a legal challenge to HR policies remains.
- the HR policies we examined did address the sustainable development principle.
- officers we spoke to anticipated that demand for Internal Audit reviews would increase in the coming years as the Council introduced new ways of working and the service rescheduled reviews which were postponed during the pandemic. Internal Audit recruitment remains challenging although this issue is common across North Wales public services.
- following the pandemic, some Council services are still trying to implement long standing recommendations from previous Internal Audit reports with some outstanding actions over three years old and, which in turn is triggering further follow-up work by Internal Audit. Senior Leadership Team, Cabinet and Chief Executive are presented with issues raised to red flag by Internal Audit, but do not systematically receive or review required recommendations, unless they are red flagged. Additionally, good stories

and best practice may not get to this level of leadership and governance, with missed opportunities a result.

- we found that whilst Internal Audit could demonstrate a good understanding of the Well-being for Future Generations (2015) Act (WFG) and the sustainable development principle, the Internal Audit reports we examined do not always fully implement the sustainable development principle into their auditing process of services. Service area compliance with sustainable development principles are not systematically checked by Internal Audit in all their non-transactional reviews.
- Community and Customer Services (CCS) deal with most public enquiries to the Council and where they cannot resolve the enquiry they direct them to the appropriate service. During the pandemic, the service was in high demand and those pressures have continued during 2022. The Council is yet to review whether the level of enquiries will reduce in 2023 and if not how it will make the service resilient to these new pressures.
- Digital Services were also in high demand and these pressures have continued during 2022. Officers we spoke to were very complimentary of the work by Digital Services during and after the pandemic. Some officers we spoke to had a clear understanding of the sustainable development principle, but felt that the links between the work of Digital Services and the corporate strategic direction of the Council were not always clearly signposted, and some officers felt their digital service could be strengthened if the links to the new Corporate Plan were clearer, such as the Council's approach to actions that will promote the embedding of a digital culture with both staff and citizens. Although the Council's Digital Strategy Actions support the Council's corporate themes, further work is required to ensure these fully reflect the current digital landscape. For example, the current arrangements do not fully reflect the collaborative digital activity that is currently being undertaken with the North Wales Economic Ambition Board.

Although the Council has appropriate monitoring arrangements in place it is yet to consider the future objectives and resourcing needs of its corporate support functions

8 In reaching this conclusion we found that:

- each corporate service we examined has a service plan that supports delivery of the old Council corporate plan priorities. The service plans we examined were comprehensive and clear and set out an overview of the service and the outcomes the service is aiming to achieve. The plans include the performance indicators, measures and activities that will be used to assess progress against achievement of the objectives. Each outcome is

allocated a red, amber, or green (RAG) rating, which indicates the level of improvement needed, and these are updated when the service plans are reported each quarter. Service plan reports are considered as part of the Council's service challenge process, although this has not taken place in the usual way during the pandemic but will resume in 2023 and will reflect the new corporate plan priorities.

- performance against the corporate plan and service plan priorities is reviewed quarterly by Senior Leadership Team, by Cabinet and by the Performance Scrutiny Committee. The reports are publicly available as part of the scrutiny committee and Cabinet agenda papers. The reports provide a narrative update on progress against the priorities and report performance on specific measures. We observed robust challenge of corporate service reports by Members both at scrutiny meetings and by the Governance and Audit Committee.
- future plans to reflect the new Corporate Plan are not yet in place for the Council's corporate support services, which are to some extent still recovering from COVID and needing some breathing space. The day to day resourcing needs of all services, including corporate support functions, are examined and taken into account as part of the annual budget setting processes. In particular, in recent years an annual review of non-strategic pressures has enabled all services to put forward requests for additional resources. The appointment of a new Chief Executive during the pandemic led to a review and restructuring of the Council's senior leadership and Heads of service which will not be completed until the Summer of 2023. There should however, now be a strategic focus on function and planning with consideration around the Council achieving the sustainable development principle.
- a strategic assessment of the Council's corporate support service resourcing needs, post pandemic, would inform the Council's understanding of resource and emerging workforce training and development requirements and strengthen arrangements to address the sustainable development principle.

Organisational response

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Report title: Are the Council's Corporate Support Functions Effective? – Denbighshire County Council

Completion date: 16th of June 2023

Document reference: 3461A2023

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	Human Resource (HR) policies that are out of date should be reviewed. We found that some Human Resource (HR) policies are out of date and need to be reviewed. This can put the Council at risk, should a legal challenge arise around HR, if policies are not up to date and review dates have slipped.	<p>Action 1. Review policy dates to ensure that all policies have been reviewed within three years. This activity will be incorporated into the Service Plan, which will mean that it will be monitored and updated quarterly.</p> <p>Action 2. Ensure we update the review date when a policy is amended. The department have been updating policies in-line with legislative changes. In future, informal reviews will be recorded by way of updating the review date.</p>	31 st of December 2023	Louise Dougal (Interim Head of Service Human Resources)
R2	Internal Audit reviews should consistently consider the sustainable development when reviewing services. Service area compliance with sustainable development principles need to be systematically checked for all non-transactional audits by Internal Audit in their reviews. By Internal Audit more regularly considering how services are addressing this area, the sustainable development principle will be more deeply embedded within the Council.	<p>Action 1. Within our scoping document we will include questions to ascertain how services are complying with sustainable development and Carbon Emissions. Depending on the responses testing will be undertaken to confirm level of compliance.</p> <p>Action 2. Monitoring of the implementation of agreed actions in relation to sustainable development and carbon emission will be included as part of the ongoing monitoring of effectiveness of Internal Audit.</p>	31 st of July 2023	Steve Gadd (Head of Finance and Audit Service)