

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1A, County Hall, Ruthin on Wednesday, 2 July 2014 at 9.30 am.

### **PRESENT**

Councillors Martyn Holland, Gwyneth Kensler (Vice-Chair) and Jason McLellan (Chair) and Mr P. Whitham (Lay Member).

Councillors M.LI. Davies, D. Owens, B.A. Smith and J. Thompson-Hill attended as observers.

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW), Head of Internal Audit (IB), Chief Accountant (RW), Corporate Improvement Officer (NK), Scrutiny Co-ordinator (RE), Wales Audit Office Representatives (GB and NR) and Committee Administrator (CIW).

#### **1 APOLOGIES**

Apologies for absence were received from Councillors Joan Butterfield and Stuart Davies.

#### **2 DECLARATION OF INTERESTS**

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

#### **3 URGENT MATTERS**

In accordance with the requirements of Section 100B(4) of the Local Government Act 1972, the Chair declared that he intended to include for discussion the following matter requiring urgent attention:-

#### **Audit of Denbighshire County Council's 2014/15 Improvement Plan, Compliance Certificate**

A copy of the Compliance Certificate was circulated to Members of the Committee at the meeting. The Chair provided a brief summary of the contents of the letter and it was:-

**RESOLVED** – *that the Corporate Governance Committee receive and noted the contents of the Compliance Certificate.*

#### **4 MINUTES**

The Minutes of a meeting of the Corporate Governance Committee held on 21<sup>st</sup> May, 2014 were submitted.

Matters arising:-

8. Data Protection Act – In response to a question from Mr P. Whitham, the Head of Legal and Democratic Services (HLDS) confirmed that the report relating to the management and proactive prevention and reduction of requests, by the Corporate Information Manager, would be included in the Corporate Governance Committee forward work programme.

11. Delivering Good Governance and Continuous Improvement – Councillor J. Thompson-Hill provided confirmation that Cabinet had, on the 27<sup>th</sup> May, 2014, approved the proposal for the merger of Denbighshire and Flintshire Procurement Units, together with, the wider three County issue with the inclusion of Gwynedd County Council. Confirmation was also provided that the Corporate Governance Committee would be included in the consultation process with regard to CPR's.

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

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

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

### **PART II**

Exclusion of press and public

**RESOLVED** – that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 14 and 15 of Part 4 of Schedule 12A of the Local Government Act 1972.

Councillor J. Thompson-Hill explained that a further update had been provided to Cabinet Briefing and all Freedoms and Flexibilities budget meetings had been completed. However, elements of the Highways and Environment Section had been delayed. The schedule of meetings had been included in Table 2 in the report, and the next stage of the process would include the three Member Budget Workshops. Details of key events, dates and status had been included in the report.

At each meeting, a detailed analysis of the service budget had been considered and a set of outcomes agreed. An example of the service analysis and outcomes relating to Adults and Business Services had been enclosed as Appendix 1 and Appendix 2. From the outcomes, a series of detailed information sheets had been produced to highlight the range and timing of potential savings, the impact, risks and suggested consultation requirements, with an example having been included in Appendix 3. Councillor Thomson-Hill confirmed that details pertaining to each of

the respective services would be provided at the Member Budget Workshops, and details of the process to be adopted were outlined.

In response to questions from Members, it was explained that the information to be presented to the budget workshops in July would be based on the appendices enclosed, and would detail each of the respective services. The view of the Corporate Governance Committee, in respect of the format and detail of the information contained in the appendices, would be key in informing the process as it continued to develop.

The CA provided the following responses to questions raised by Members:-

- With regard to Appendix 1 and the “approximate percentage of resources allocated to component” column being left blank, two different approaches had been adopted for the two pilot exercises. It was explained that the way the budget had been structured had not always provide a clear reflection of the activity and this judgement had been left to Heads of Service.

- Concerns expressed in relation to the inconsistency of detail provided in respect of the figures included under various headings and services were noted. Mr Whitham felt a comment or explanation should be included for clarity purposes.

- The CA agreed to examine the possibility of providing details to Member Workshops on the split of grant and other income. Members emphasised the importance of being made aware of the source of income for service provision and its sustainability.

- Members were informed that although various modules of the PARIS system were operating satisfactorily, the financials module had not yet been introduced.

- Councillor M.L. Holland referred to the need to ensure that any new systems introduced be fully utilised by the Council, the CA endorsed the view that a review of the Council’s IT management of systems and process be undertaken, possibly with the overview of the Corporate Governance Committee.

- In reply to concerns raised by Councillor G.M. Kensler in respect of Welfare Rights issues, the CA referred explained that one of the outcomes had been to undertake a review grants paid through the Social Care budget.

- Mr P. Whitham referred to the management of the risk element of the possibility of the Council being unable to meet the future expectations of the public in view of the reduction of resources available, and the need to inform the public of the circumstances to mitigate any future risk.

During the ensuing discussion the Chair requested that Members be provided with paper copies of the reports to be submitted to the Member Workshops.

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

**PART I** – The meeting resumed in open session.

## **6 DRAFT STATEMENT OF ACCOUNTS**

A report by the Head of Finance and Assets (HFA), which provided an overview of the draft Statement of Accounts 2013/14 (SOA) and the process underpinning it, had been circulated previously.

Councillor G.M. Kensler and Mr P. Whitham declared a personal interest in this item as Members of the Clwyd Pensions Fund.

The HFA explained that the audited accounts would be presented to the Committee on the 26<sup>th</sup> September, 2014. Presenting the draft accounts provided an early indication of the Council's financial position and could highlight any issues in the accounts or the process prior to the accounts being audited. The audited accounts had to be formally approved by Members on behalf of the Council and this role had been delegated to the Corporate Governance Committee. The draft accounts would be finalised by the 30<sup>th</sup> June. In view of the role of the Committee in approving the final accounts, it was beneficial to provide an update and overview at draft stage for consideration prior to submitting the final accounts in September.

The publication of the SOA underpinned the financial stewardship and governance of the Council and therefore supported all Council services and priorities. The production of the accounts was regularly reviewed by the Wales Audit Office (WAO), and professional opinions were drawn from numerous other disciplines beyond finance, such as legal, property valuation, HR and pensions. The SOA was a key element of the Council's governance framework and it was important that Members received assurance that the accounts had been produced in compliance with the relevant standards and that the process underpinning the production of the accounts was robust. Members were informed that the Council would be in breach of its statutory duty if it could not approve the Accounts by the 30<sup>th</sup> September, 2014.

The CA explained that there had been a technical change to the way in which the pensions were reported and to accounting issues. He provided a summary of the SOA 2013/14 and invited Members attention to the following areas:-

- The Foreword which provided an overview of the Council's revenue position.
- Transfer to and from Earmarked Reserves.
- Useable Reserves.
- Revenue Balances.
- Balance Sheet.
- Members' Allowances.
- Officers' Remuneration.
- Related Parties.

The WAO Representative (NR) confirmed that the Statement of Accounts (SOA) had been received within the designated timescales. He outlined the advertising process and referred to the opportunity afforded to the public to submit specific and relevant questions or to challenge the Accounts. In response to a question from the Chair, the CA confirmed that an overview of the questions received or formal objections would be provided for Members.

The CA responded to a question from Councillor G.M. Kensler and provided details of the provisions introduced to address long-term issues and claims emanating from the Council's previous insurance provider.

The Chair suggested that the Committee timetable for 2015/16 be compiled to accommodate timescales for the presentation of the SOA to the Corporate Governance Committee.

**RESOLVED** – *that Corporate Governance Committee note the position as presented in the draft accounts.*

## **7 WAO ANNUAL IMPROVEMENT REPORT - 2013/14**

A copy of a report by the Head of Business, Improvement and Modernisation (HBIM), on the annual assessment of the Council's prospects for improvement undertaken by the Wales Audit Office (WAO), had been circulated with the papers for the meeting, together with, a copy of the WAO, 2014/15 Performance Audit work and Fees letter.

The WAO Representative (GB) introduced the report and explained that the Annual Improvement Report, Appendix 1, provided information on the Council's Annual Improvement Report (AIR). Under the Local Government Measure, the Wales Audit Office annually reviews the Council's progress towards meeting its objectives and its prospects for continuing to improve in the year ahead.

For the year 2013-14, the WAO had concluded that:-

- Denbighshire made good progress in delivering improvements in all its priority objectives for 2012-13 but further improvements are required in a few key areas;
- The Council's service challenge reviews and other measures to self-evaluate its performance are robust;
- The Council's planning for improvement and its arrangements to support improvement are good;
- The Council is likely to make arrangements to secure continuous improvement for 2014-15.

It was explained that if the WAO had significant concerns about the progress made by the Council or the direction it was taking, it would make formal recommendations for change. Denbighshire's report did not have any formal recommendations and this reflected the WAO's positive view of the Council's progress.

Confirmation was provided that some areas required further work and both last year's and this year's Annual Reports had made some 'proposals for improvement'. Denbighshire had made good progress with all the proposals made in the 2012/13 report and this year the Inspectors had made two further proposals which they considered would help the Council continue to progress. These included:-

- P1 - In order to achieve its objective to modernise services the Council should continue to address weaknesses in its Corporate Human Resource Service.
- P2 - The Council should ensure that roles and responsibilities are clear for the achievement of the affordable housing objective.

The Council accepted the proposals and taken action to address them. Denbighshire were continuing to work through an action plan to address the identified shortfalls in the HR service, and a Task Group was being established to review objectives in relation to the affordable housing issue,

Reference was made by the WAO Representative to paragraph 30 of the report which indicated the level of financial reserves held by schools in Denbighshire had increased significantly during 2012/13 to £2.9m. In response to a suggestion by Councillor M.L. Holland, the Committee agreed the issue pertaining to school balances be referred to the Scrutiny Chairs and Vice Chairs Group for consideration.

Councillor M.L. Holland raised issues pertaining to the following sections in the report:-

17. The reasons for the unsuccessful bid for Welsh Government funding from the Vibrant and Viable Places Fund to support initiatives within Rhyl.

45. There being any pattern to the recorded incidents of fly-tipping being higher than the average for other Councils in Wales.

52. Registration issues in the County in respect of affordable housing.

The WAO Representative gave a summary of the Wales Audit Office, 2014/15 Performance Audit Work and Fees letter, and provided responses to questions from Mr P. Whitham in respect of the WAO performance audit work 2014/15, Governance.

Members were informed that the WAO would be liaising with the relevant officers and subsequently reporting to Corporate Governance Committee. The work would be undertaken later in the year and would form part of the next Annual Improvement Report.

The HIA referred to the Audit Plan which incorporated work relating to school financial management and this report would be presented to the Corporate Governance Committee.

During the ensuing discussion the Chair explained that an item pertaining to Strategic Human Resources had been included in the forward work programme for the 3<sup>rd</sup> September, 20124, and a Work Shop had been convened with regard to Affordable Housing.

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

- (a) receives and notes the contents of the Annual Improvement Report.*
- (b) receives and notes the contents of the Wales Audit Office, 2014/15 Performance Audit Work and Fees letter, and*
- (c) the issue pertaining to school balances be referred to the Scrutiny Chairs and Vice Chairs Group for consideration.*

## **8 CORPORATE RISK REGISTER REVIEW**

A report by the Head of Business, Improvement and Modernisation, to present the latest version of the Corporate Risk Register agreed at Cabinet Briefing, had been circulated previously.

The Corporate Improvement Officer (CIO) introduced the report and explained that the Corporate Risk Register (CRR) enabled the Council to manage the likelihood and impact of risks it faced by evaluating the effect of any current mitigating actions, and recording deadlines and responsibilities for further action that should enable tighter control. The Register had been developed and was owned by the Corporate Executive Team and Cabinet. The process for reviewing the CRR had been included in the report.

The review process for the CRR had been included in the report and following each formal review, twice per annum, the revised document was presented to the Corporate Governance Committee. Actions identified to address corporate risks would be included in Service Plans which enabled the Performance Scrutiny Committee to monitor progress. Any performance issues in relation to the delivery of these activities should be highlighted as part of the Service Performance Challenge process.

The Internal Audit function provided independent assurance on the effectiveness of the internal control procedures and mechanisms in place to mitigate risks across the Council. It also offered independent challenge to ensure the principles and requirements of managing risk were consistently adopted throughout the Authority. Internal Audit Services utilised information from the service and CRR to inform its forward work programme.

An annual review and report on progress of the Risk Management Policy identified weak areas which required strengthening to improve the risk management process. The purpose of the CRR was to identify the potential future events which may have a detrimental impact on the Council's ability to deliver its objectives and its Corporate Priorities.

The CIO provided a summary of the main changes made to the CRR, Appendix 1, and the following areas were highlighted:-

- Revision to DCC004: *'The risk that the HR framework doesn't support the organisation's aims'*.
- Revision to DCC006: *'The risk that the economic and financial environment worsens beyond current expectations'*.
- Revision to DCC016: *'The risk that the impact of welfare reforms is more significant than anticipated by the council'*.
- Revision to DCC017: *'The risk that the ICT framework does not meet the organisation's needs'*.
- Revision to DCC018: Formerly worded, *'The risk that change/modernisation programme and project benefits are not fully realised'*.

In response to issues raised by Members, confirmation was provided by the CIO that the findings of the WAO's audit of risk management would be reported when available, and she explained that the reporting of 'near misses' would be added to the H&S mitigating actions. The CIO also agreed to discuss weather-related risk with CET, and obtain further detail about other mitigating actions regarding Arm's Length Organisations from the HIA.

With regard to budget-related risk, the CIO explained that the mitigating actions listed described the steps taken to enable informed and democratic decision-making around the programme of managing the budget. Budget reports presented to Cabinet on a monthly basis included a risk section. Each proposal or project associated with the programme of managing the budget would be presented to Council and/or Cabinet with a covering report which included a risk section. Risk management was an integral and active part of service and project management. It was felt that the risk management process featured the necessary components to provide assurance. The Committee advised to reference appropriate documentation for projects and proposals, including risk registers, cover reports, to seek assurance that risk was being managed.

The CIO agreed to discuss weather-related risk with CET, and obtain further detail about other mitigating actions regarding Arm's Length Organisations from the HIA. She explained that the Risk Management Policy had been reviewed at presented to the Committee in 2012, and an annual review had also been submitted to the Committee.

In response to a question from Mr P. Whitham in relation to DCC021, the CIO explained that discussions would be commencing with Cabinet and CET in September and an update report detailing any related risks would be presented to the Committee.

In reply to concerns raised by Councillor G.M. Kensler regarding the possible risks to Denbighshire which might emanate from Welfare Reforms, and the adverse findings encompassed in the Internal Audit Report, the Committee noted the concerns expressed and it was agreed that the Internal Audit Report, which refers to Welfare Reforms, be included on the forward work programme for the 3<sup>rd</sup> September, 2014.



**RESOLVED** – that, subject to the above comments, the Corporate Governance Committee:-

(a) receives the report and notes the deletions, additions and amendments to the Corporate Risk Register, and

(b) agrees that Internal Audit Report be included on the forward work programme for the 3<sup>rd</sup> September, 2014.

## **9 GOVERNANCE IMPROVEMENT PLAN**

A report by the Head of Internal Audit (copy enclosed), which provided details of the Improvement Plan resulting from the review of the Council's governance framework for 2013/14, had been circulated previously.

Corporate Governance Committee monitored the Governance Improvement Plan on a regular basis as part of the Council's overall governance arrangements to make sure that the Council implements the necessary improvements effectively. The Council's Corporate Governance Framework included an annual assessment of the Council's governance arrangements and an 'annual governance statement' that highlights any governance weaknesses.

The Council's Governance Group managed the Corporate Governance Framework process and development of the 'annual governance statement' on an on-going basis during the financial year. Details of the composition of the Group had been included in the report.

Appendix 1 detailed the Governance Improvement Plan arising from the review of the Council's governance arrangements for 2013/14. The Plan had now been finalised and an update of the proposed improvement actions, responsibilities and timescales was provided for Members.

The Governance Improvement Plan formed part of the 'Delivering Good Governance and Continuous Improvement' document and details of the consultation process had been included in the report. The document had also been distributed to Cabinet Members and the Wales Audit Office for comment.

Mr P. Whitham referred to the overall budget for the procurement of construction services, which totalled £37.7m, and suggested that the Committee consider adopting a similar monitoring process to that utilised for Strategic Human Resources. Mr Whitham expressed the view that construction procurement and contract procedures rules could be viewed and addressed as separate governance issues.

The HIA confirmed that a further report would be presented to the Committee in September, which would provide a response to the WAO report previously presented to the Committee. Members agreed that Mr Witham's suggestions be noted and included as potential actions arising from the report to be considered in September.

The HLDS responded to a question from Councillor M.L. Holland and outlined the requirements and progress to date on the provision of member training with regard to the Code of Conduct. Details were provided in respect of the provision of mandatory training and enforcement powers. It was confirmed that a report on member training would be submitted to County Council, and Members agreed that the report be presented to the Corporate Governance Committee for consideration prior to its submission to Council.

In response to a question from Mr P. Whitham, the HLDS confirmed that the Anti-Fraud and Corruption Policy was currently being reviewed and would be presented to the Committee later in the year.

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

- (a) the Governance Improvement Plan be received and noted.*
- (b) Mr Witham's suggestions be noted and included as potential actions arising from the report to be considered in September, and*
- (c) the Member training report be presented to the Committee prior to its submission to County Council.*

## **10 BLESSED EDWARD JONES RC HIGH SCHOOL - UPDATE**

A report by the Head of Internal Audit, which provided details of Internal Audit's follow-up work at Blessed Edward Jones School following its initial report in October, 2013, had been circulated previously.

Internal Audit (IA) issued a report on Blessed Edward Jones School in October, 2013 that, despite giving a 'medium' assurance rating, included an action plan with 13 areas for improvement. The Committee had been particularly concerned that the School should address its financial pressures and requested that Internal Audit's follow-up report be presented to the Committee.

The follow-up report indicated that significant improvements had been made since the original audit report. Many of the issues raised had now been addressed, although some deadlines had been missed. Concerns were expressed that the School had yet to fully develop its financial recovery plan. The HIA explained the school had produced three-year projections and worked to reduce the forecast deficit but would still have a deficit in March, 2015.

Members were informed that robust procedures were in place to manage such situations and the School had requested permission to have a licensed deficit and would then develop a financial recovery plan. Details of the process for acquiring permission for a licensed deficit were provided by the HIA.

The Chair referred to the Constitution of the School's Board of Governors and the delays experienced in the decision making process pending appointments to the Board. The HIA agreed to convey the concerns raised to the School, and put forward the suggestion that the tasks pending be delegated to the existing Governors with a view to progressing matters.

In response to concerns raised by Members the HIA explained that a further follow-up report was imminent, and he agreed to provide Members of the Committee with an update on its outcomes. Members also agreed that a further progress report be presented to the Committee in September, 2014.

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

- (a) receives and accepts the Internal Audit follow-up report.
- (b) agrees that a progress report on the follow-up report be circulated to Members of the Committee, and
- (c) requests that a further progress report be presented to the Committee in September, 2014.

## 11 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

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

3<sup>rd</sup> September, 2014:-

- Blessed Edward Jones RC School – Update.
- Welfare Rights – Internal Audit Report
- Member Training Report.

5<sup>th</sup> November, 2014

- Fraud and Corruption Policy.
- Contract Procedure Rules Report.
- New Model Constitution.

25<sup>th</sup> March, 2015

- Information Management Strategy, Freedom of Information Report

Confirmation was provided by the HIA that additional Budget Up-date Reports could be included in the forward work programme if required.

The HIA explained that he and the Head of Customers and Education Support had been discussing and clarifying the issues to be presented in respect of the business items pertaining to “Reports of Complaints Received” and the “Annual Review of Operation of Complaints Process”. The HLDS provided details of the Terms of Reference of both the Corporate Governance Committee and the Performance Scrutiny Committee in terms of the performance and effectiveness of the Complaints Process. Members agreed that the allocation of this item could be considered by the Scrutiny Chairs and Vice Chairs Group at its meeting on the 3<sup>rd</sup> July, 2014.

Members were informed by the HIA that assurance in respect of Risk Management would be provided by Internal Audit. He confirmed that WAO would be undertaking a Review of Risk Management, which would address the requirements of the Members, and a report would subsequently be presented to the Committee. The HLDS explained that the Terms of Reference of the Committee were to monitor the effective development and operation of Risk Management within the Council.

In response to a request by Mr P. Whitham, Members agreed that a copy of the Risk Management Policy be circulated to Members of the Committee, and a business item be included in the forward work programme for November, 2014. It was also agreed that guidance on timescales for the presentation of the WAO report be sought.

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

Meeting ended at 12.25 p.m.