

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Council Chamber, Russell House, Rhyl on Wednesday, 25 March 2015 at 9.30 am.

PRESENT

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

Councillor Meirick Lloyd Davies, Councillor Huw Jones, Councillor Bob Murray and Councillor Julian Thompson-Hill attended as observers.

ALSO PRESENT

Corporate Director: Economic and Community Ambition (RM), Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Head of Communication, Marketing and Leisure (JG), Chief Accountant (RW), Corporate Information Manager (CB), Wales Audit Office Representatives (AV, GB and GE) and Committee Administrator (CIW).

1 APOLOGIES

None received.

2 DECLARATION OF INTERESTS

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

3 URGENT MATTERS

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

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on the 28th January, 2015.

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

5 BUDGET PROCESS 2016/17

A report by the Head of Finance and Assets (HFA), which provided an update on the process to deliver the revenue budget for 2015/16 and 2016/17, had been circulated previously.

Councillor J. Thompson-Hill explained that the Budget for 2015/16 had been approved by Council and the Budget Workshops focussing on saving proposals for 2016/17 had commenced, and details of proposed timescales had been included in the report. The forecast budget gap for 2016/17 was approximately £8.8m. Savings of £2.7m had been approved as part of the current process leaving a gap of approximately £6.1m.

A chart showing the proposed budget process had been included as Appendix 1. It outlined the process to deliver the 2016/17 savings and progressed the process which had commenced in March, 2014. The saving 'phases' were the decision points taken to Council for approval. As Phases 1 to 3 had been approved the chart commenced at Phase 4.

Details of the significant consultation process undertaken to deliver the 2015/16 and 2016/17 budgets was provided. The budget process had been extremely challenging and the engagement and support of Members in the decision making and scrutiny of the process had been crucial. The risk management framework proposed to manage the implementation of the 2015/16 budget savings had been included in the report. It was emphasised that this was the most challenging financial period the Council had faced and failure to deliver an effective budget strategy would put further pressure on services in future financial years.

Risk management of the process would be a key consideration of the Committee and possible risks around the implementation of each saving proposal had been presented at workshops as they developed. SLT had focussed on risk management of the process and it had been proposed that there should be four strands to a risk management framework underpinning the implementation of the 2015/16 budget savings, and these had been detailed in the report.

In reply to a question from Councillor S.A. Davies regarding the advantages of the provision of in depth detail of expenditure lines for individual services, the CA confirmed that a summary of the service budget, and up-date of the figures presented for 2015/16 could be provided. The CA responded to a request from the Chair and agreed that hard copied of the information, including spread sheets, be provided.

The Chair referred to the issues raised by Mr P. Whitham at the previous meeting with regard to the risk agenda in relation to financial, reputational and performance risks. He confirmed that SLT had considered the matters raised but he felt that reference in the report to the outcome of the deliberations lacked depth. In reply to a request from the Chair it was agreed that further in-depth report be presented to the Budget Workshop in June, 2015 for consideration by Members.

Mr P. Whitham explained that the concerns he had expressed related to the associated risks for the budget process for 2016/17, and he felt that SLT had appeared to focus on the monitoring of the process for 2015/16. He was pleased

that SLT had considered the risk agenda aspect but expressed disappointed that matters pertaining to the failure to take decisions at an early stage, and staff savings being implicated by pension costs, had not been deliberated. The CA outlined the process which included monitoring the impact of the 2015/16 proposals, and outlined the process for the consideration of the 2016/17 proposals.

In reply to concerns raised by Councillor M.LI. Davies, it was agreed that the issue of the loss of Welsh speaking members of staff be highlighted as a risk. The Chair referred to Council's Statutory Duty with regard to Welsh language legislation.

Following further discussion, and subject to the issues raised, it was:-

RESOLVED – *that Corporate Governance Committee receives and notes the contents of the report on the latest update.*

(RW to Action)

6 INFORMATION MANAGEMENT STRATEGY UPDATE

A report by the Corporate Information Manager (CIM), which provided an update on progress made on implementing the Council's Information Management Strategy, had been circulated previously.

The CIM explained that a Corporate Information Team had been formed to provide a more cohesive approach to this area and to address the significant weakness identified in Annual Governance Statements. An Information Management Strategy had been developed to provide an agreed corporate approach to this function, and subsequently significant improvements had been made. The improvements had recently resulted in the associated risks being reduced from amber, major, to yellow, moderate, as reflected in the Corporate Risk Register.

Some of the key actions undertaken over the last 12 months which had served to reduce the risk rating had been detailed in the report, particular reference was made to:-

- the modernisation of the way many teams from across the Council work with documents via the introduction of EDRMS, which was utilised by 20% of the workforce.
- the importance of the provision of training for staff in respect of data protection issues.
- details pertaining to the revised and re-launched Corporate Retention Schedule.
- the labour intensity of the scanning process.

It was explained that over the next 12 months a number of activities had been planned with a particular focus on developing the Council's Records Management and Archives functions.

The officers provided the following responses to issues raised by Members:-

- The Archives service was a free service for anybody wishing to access historical records. Small charges are in place for things like photocopying, scanning and research.
- The CIM confirmed that a forward work plan had been established and the forward activities were considered to be achievable.
- SLT having agreed the provision of confidential secure waste bins.
- A collaborative approach having been adopted with neighbouring Local Authorities, with regard to the installation and development of compatible new IT systems and equipment, in the light of possible future mergers. The CIM agreed that a future report include details of the progress achieved in this area.
- Details were provided regarding the Corporate Retention Schedule, in relation to the destruction of records.

Following further discussion, it was:-

RESOLVED – that Corporate Governance Committee notes the progress made on information management and continue to support its implementation.
(CB to Action)

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

A report by the Head of Legal, HR and Democratic Services (HLHRDS), on Welsh Government's (WG) White Paper entitled Reforming Local Government: Power to Local People, ('the Paper'), had been circulated with the papers for the meeting.

The Paper was the subject of consultation until 28th April and the report sought to ascertain the Committee's views on the proposals contained within the Paper, particularly those elements relating directly to corporate governance matters. The Full version of the paper had been included as Appendix 1.

The HLHRDS introduced the report and explained that the extensive Paper included a number of clear policy proposals, a reiteration of previous policy commitments, such as mergers and links to Future Generations Bill, and a number of open ended questions seeking views on policy options. Some of the proposals and policy options were complex but offered limited detail around how proposals would be implemented. There were nine main chapters contained within the Paper which included a consultation survey, Appendix 2. The Committee were requested to consider in particular the Chapter entitled 'Corporate Governance and Improvement' together with other areas of the Paper which impacted on corporate governance issues and had been identified in the report.

The difficulties faced in providing a response were outlined by the HLHRDS. He explained it was proposed to draft a document to reply to every issue raised in the thirty page survey and to produce a cover document which provides an opinion, if agreed by Members, on the broadly positive themes in the White Paper. However, the view be expressed that the White Paper concentrate on key issues and Denbighshire's views on these issues be highlighted

The HLHRDS provided a detailed summary of the report which had focused on the following areas of the Paper:-

Paragraphs 2.12

Paragraph 2.10

Chapter 3, f, g

Paragraph 3.5

Chapter 4

Chapter 6

Paragraph 6.4

Chapter 7

Chapter 8

Chapter 9

The main issues for consideration by the Corporate Governance Committee were outlined by the HLHRDS. He referred to Welsh Government's aspirations to improve and increase the standards of Leadership from a corporate governance aspect at officer and political level, with the proposed changes to the appointment process of senior officers in Local Authorities. The three options considered to achieve the aims were outlined by the HLHRDS, particular reference being made to the possible introduction of a Public Sector Appointments Commission and the establishment of a Public Services Staff Commission

The HLHRDS referred to the advantages to be achieved by welcoming the focus on corporate governance, leadership, performance and improvement and highlighting areas considered as good practise. The Chair referred to the need for the Committee to focus and concentrate on governance issues when considering the content of the response.

During the ensuing discussion Members expressed their views in respect of the following issues:-

- the benefits to be achieved from sharing best practice processes, as currently undertaken in Denbighshire.
- the importance of the constitution of the respective Local Area Boards who contribute to the process.
- the significance of the involvement of local communities in decision making at a local level.
- the role, remit and future designation of Community Councils.

The HLHRDS explained that he had started to draft a narrative response from Denbighshire which incorporated responses to each of the tick boxes, highlighting any issues of concern and outlining areas considered to be major themes. He emphasised the importance of Member involvement and the inclusion of their views in the response.

The Chair agreed that the narrative response should be couched in a positive form, and expressed the view that many of the best practises had already been adopted and undertaken by the Authority. It was felt the response should also include the

concerns expressed in respect of specifics such as the membership of Local Area Boards and the administrative aspects.

Members considered the issue pertaining to the constitution of the Corporate Governance Committee, particular reference being made to the number and appointment of Independent Members. The HLHRDS explained that he had started to draft the response in relation to Independent Members which included:-

- Independent Members would bring a fresh prospective with a different challenge and view point to Elected Members, and this had work well with regard to the Denbighshire Corporate Governance Audit Committee.
- The Committee were pleased to note that it had not been suggested that there should be a majority of Independent Members.
- It was felt that chairs should not automatically be Independent Members, but this should not stop an Independent Member from being a chair, with the Committee appointing the chair.

Mr P. Whitham highlighted the importance of Independent Members being knowledgeable, understanding and genuinely interested in serving as Member's on Corporate Governance Committees, and he questioned if increasing the number of Independent Members serving on Corporate Governance Committees would address this issue.

Following further discussion, it was:-

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

- (a) receives and notes the contents of the report, and*
- (b) agrees that the Head of Legal, HR and Democratic Services drafts a response as outlined during the deliberation.*

(GW to Action)

8 2015 AUDIT PLAN DENBIGHSHIRE COUNTY COUNCIL

A report by the Head of Finance and Assets (HFA) had been circulated with the papers for the meeting.

The Wales Audit Office Representative introduced the report '2015 Audit Plan – Denbighshire County Council', Appendix 1, produced by the Wales Audit Office (WAO). The report set out the planned programme of work for both the WAO's financial audit performance audit programme and included matters such as the fee for the work, details in respect of the audit team and the timetable for the work. The external auditors were required to prepare and present the report in order to discharge their requirements under auditing standards and proper audit practices.

Areas within the report, Appendix 1, highlighted by the WAO Representatives included:-

- Summary of the Report.

- Financial audit.
- Financial audit risks.
- Certification of grant claims and returns.
- Overall issues identified.
- Other work undertaken.
- Performance audit.
- Fee Audit team and timescale.
- Audit team.
- Timetable.

The WAO report provided the Council with an outline of the financial audit and performance audit work programme. The financial audit programme covered their work in respect of the 2014-15 financial statements, and provided information on the audit approach including the key audit risks which had been identified during the initial planning process and the actions proposed to address them. The financial audit work on the risk areas would be used to inform the audit opinion on the financial statements.

The performance audit work programme covered the work in respect of the Local Government Measure. Both financial and performance audit work also reviewed the arrangements put in place by the Council to secure economy, efficiency and effectiveness in its use of resources.

Councillor S.A. Davies explained that he welcomed the audit of the Joint Committee in respect of the AONB. The WAO Representative explained that due to its size the AONB would be subject to a limited assurance audit, however it was confirmed that the report in respect of the AONB would be presented to the Corporate Governance Committee.

The WAO Representatives responded to a question from Mr P. Whitham and detailed performance work in last year's audit outline still in progress, Appendix 2. The HLHRDS agreed that a letter received from the WAO regarding this matter could be circulated to Members of the Committee. Reference was made to Appendix 3 which made reference to National value for money studies.

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

(GW to Action)

9 GOVERNANCE IMPROVEMENT PLAN AND DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

Due to time constraints this item was deferred to the next meeting.

10 INTERNAL AUDIT STRATEGY 2015/16

Due to time constraints this item was deferred to the next meeting.

11 FINANCIAL PAYMENT TO CARE LEAVERS - UPDATE

A report by the () and (), which provided an update on progress with the Action Plan included in the Internal Audit report on Financial Payments to Care Leavers issued in March, 2014, had been circulated previously.

The

RESOLVED – that Corporate Governance Committee request that

- (a) the Service Manager: Looked After Children be requested to present a report to the next meeting of the Committee, and
- (b) the Acting Strategic Procurement Officer be invited to attend the meeting.
(**and SA to Action**)

12 CLWYD LEISURE LTD - REVIEW OF LESSONS LEARNED

A report by the Corporate Director; Economic and Community Ambition (CDECA) had been circulated previously.

The CDECA introduced the report which reviewed the circumstances leading up to Clwyd Leisure Ltd (CLL) ceasing to trade in 2014, and identified the lessons learned to minimise the risk of similar circumstances occurring in the future.

Cabinet had requested an internal review of the creation, management and monitoring of the company with a view to understanding what happened, confirming whether safeguards were now in place to prevent recurrence and identifying any further improvements needed. The Head of Internal Audit (HIA) had reviewed the arrangements for governing and monitoring performance of arm's-length organisations. The report set out the findings, conclusions and recommendations from the review commissioned by Cabinet, set within the recommendations made by the HIA to improve overall governance of arms-length organisations. A timeline of the history of CLL had been set out within the review report.

The CDECA explained that at the inception the legal paperwork establishing CLL had not covered how to address problematic situations, and there had been a clear absence of performance expectations and clarity.

The original decision to set up CLL had been based on an options appraisal based on a number of key assumptions. However, the review concluded that this was not followed through into the formal documentation establishing the company or its relationship with the Council, and this had contributed to weaknesses in monitoring and scrutiny arrangements and made it difficult for the Council to manage its relationship with the Company. It was felt that scrutiny and monitoring arrangements had been confused and multiple reporting lines were likely to have contributed to a lack of follow through.

The Head of Communication, Marketing and Leisure (HCML) outlined the reason why the Company had been the subject of so many conflicting scrutinies. He

explained that the arms-length arrangements and indeed Leisure had been passed around the Authority on several occasions during the term of the company, which had resulted in various Heads of Service having responsibility and consequently having to report to different Scrutiny Committees. The HCML expressed the view that the problems had resulted from the subject and responsibility following Heads and Directors to different Scrutiny Committees. He felt that the new scrutiny arrangements would ensure this did not happen in future as they were not directorate based, and agendas would be monitored and discussed by Chairs and Vice Chairs.

More recently within the Council a more robust approach to business case development and project and risk management had been introduced, making it unlikely that similar circumstances would occur again. Risk management was now firmly embedded within the Council with a clearer focus on performance management being routine. In the latter stages, the relationship with CLL had been more robustly managed, with regular monitoring in place and improvement actions identified and followed up. The decisions made by Cabinet in January and March, 2014 had been significantly informed as a result of the more robust approach. It was emphasised that the current Scrutiny system minimised potential risks and that the Chairs and Vice Chairs Group provided a way of managing any such cross over which had not been available at the time, and this provided an additional control in the system.

The CDECA explained that recommendations for further improvements had been set out in the review report which were linked to the HIA's overall review of arrangements for ensuring appropriate governance and performance monitoring of arms-length organisations more generally. The report included recommendations to improve Council oversight, scrutiny and monitoring avoiding reliance on Council-appointed board directors as the sole means of governance and nominating relevant Committees within the Council to consider the governance and performance of arms-length relationships.

The Chair felt that the issues arising from the deliberations and conclusions should be forward focused. However, he felt it would be important to consider the timeline of events and lessons learned.

Councillor P.C. Duffy thanked the Head of Communication, Marketing and Leisure (HCML) for the work he had undertaken. He expressed concern that there had been no meaningful business plan or lease agreement in place at the inception, and made reference to a lack of scrutiny, intervention or checks in respect of performance over a lengthy period of time.

The HLHRDS responded to questions from Members and explained that the funding aspect of the agreement made been the most inappropriate aspect of the documentation.

The CDECA explained that there had appeared to be no clear lines of responsibility, and while concerns were raised respective Committees appeared to have been satisfied with assurances received regarding the operation of the Company. In reply to concerns expressed by Members, she outlined the difficulties

confronted by Council appointed Directors of the Board. The review had included recommendations to improve Council oversight, scrutiny and monitoring to avoid reliance on Council appointed board directors as the sole means of governance and nominating relevant Committees within the Council to consider the governance and performance of such arms-length relationships. The CDECA explained that there were benefits to appointing Councillors as Directors to the Boards of arms-length Companies, however, not as a sole means of monitoring the performance and finance aspects of a Company. Councillor H.LI. Jones, Lead Member for Tourism, Leisure and Youth, felt the Scrutiny Chairs and Vice Chairs Group could contribute to the process of scrutinising arms-length Companies. Reference was made to the roles and responsibilities of Councillors, Directors of the Board and Cabinet Members. The CDECA highlighted the importance of the need to manage any conflict of interest which might arise, and reference was made to the statutory duty of Directors of Companies.

The difficulties encountered by officers in addressing the problems experienced were outlined by the HCML, particular reference being made to the political aspect of the process. He also provided details of the implications and outcomes arising from the recommendations in the Wales Audit Report of 2008.

In response to a question from the Chair, the CDECA agreed to provide details of the criteria and process for assessing the rateable, and commercial rental value, of buildings such as the Nova Centre, Prestatyn.

The Committee endorsed a request by the Chair for the submission of a report to the May, 2015 meeting of the Committee to include:-

- The reinforcement of the role of Elected Members on the Boards of arms-length Companies and the inclusion of the work undertaken by the HLHRDS and HIA, in respect of arms-length Companies.
- The work undertaken by the HIA, to include the framework to be implemented in July, 2015, with an update of the pending implementation of the agreed recommendations.
- An update by the HLHRDS on the role of Members on the respective Boards of arms-length Companies.

Members also highlighted the need for the provision of Member training in relation to arms-length Companies. The HCML highlighted the need for nominees to the respective Boards to possess the necessary skill sets and understanding to meet and undertake the required demands of the post.

The Chair referred to the importance of the need to ensure the role of the respective Scrutiny Committees in monitoring arms-length Companies was reinforced. The Committee agreed that this matter be referred to the Scrutiny Chairs and Vice Chairs Group for consideration.

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

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

(b) agree that a further report be presented to the May, 2015 meeting of the Committee, incorporating the information and detail requested by Members.

(IB and GW to Action)

13 FEEDBACK ON CORPORATE EQUALITY MEETING

No report presented.

14 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 business items in the Committee's Forward Work Programme:-

20th May, 2015:-

- Internal Audit Strategy 2015/16.
- Governance Improvement Plan and Draft Annual Governance Statement 2014/15.
- Financial Payment to Care Leavers – Update.
- Report on Outside Bodies and Clwyd Leisure Update – (Head of Legal, HR and Democratic Services to liaise with the Head of Internal Audit).

The Chief Accountant explained that the presentation of the Draft Accounts be included in the Forward Work Programme for July, 2015 and the Final Accounts for September, 2015.

The Chair referred to the pending departure of the Head of Finance and Assets. He and the Members of the Committee expressed their appreciation for all the help and guidance provided and hard work undertaken.

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

Meeting ended at 1.45 p.m.