

Report To: Corporate Governance Committee

Date of Meeting: 20 May 2015

**Lead Member / Officer: Hugh Evans - Leader
Gary Williams – Head of Legal, HR & Democratic Services
Ivan Butler – Head of Internal Audit**

Report Author: Ivan Butler – Head of Internal Audit

Title: Monitoring of Council-funded Service Providers

1. What is the report about?

This report provides the Committee with details of the scope and project plan for the review of monitoring of Council-funded Service Providers (CFSPs), which will result in a new framework for putting such arrangements in place.

2. What is the reason for making this report?

There have been concerns raised over monitoring of CFSPs, particularly to learn lessons from the Clwyd Leisure Limited arrangements and ensure that the Council has robust arrangements in place to monitor governance, financial performance, operational performance and the use of Council funds.

At its last meeting, this Committee also discussed the roles and responsibilities of elected members when representing the Council on outside bodies and requested further information on how this was to be provided as part of the overall review of CFSPs.

3. What are the Recommendations?

- The Committee considers and discusses the proposed scope and project plan
- The Committee agrees how it wishes to monitor progress on the project

4. Report details

The attached Project Scope and Plan (Appendix 1) provides the Committee with full details of the rationale behind this review, the scope of the work to be carried out and the timescales for the project.

The project will result in a new framework for entering into arrangements with organisations to which the Council provides funding to provide services on its behalf. This will include arms-length organisations, partnerships, grant-funded organisations, and major third-party suppliers of key services.

The aim is to provide a risk-based approach, depending on the level of funding that the Council provides, so that the arrangements are not over-bureaucratic for small organisations, but provide robust arrangements for more significant funding arrangements. This means that the Council will have robust arrangements in place to provide assurance to senior management, elected members and its stakeholders that the funding it is providing to third parties is being used for the intended purpose and is delivering the required objectives.

The new framework will also include arrangements for ensuring that elected member roles on 'boards' are clear, fully understood and applied to ensure that they discharge their roles and responsibilities effectively. The Head of Legal, HR & Democratic Services previously reported to the Committee on elected member representation in July 2014 (attached as Appendix 2) and this project provides the opportunity to address this as part of an overall framework. This will include elected member roles, responsibilities, reporting lines and reporting frequencies.

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

There is no decision required on this report; however, the work carried out by CFSPs may contribute directly or indirectly to Corporate Priorities, depending on the service being provided.

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

There are no costs attached to this report.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

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

Corporate Executive Team discussed a draft scope for the project on 28 July 2014, agreeing a completion date of 31 March 2015. Unfortunately, due to significant changes in the Internal Audit team, this deadline has been postponed to 30 June 2015.

9. Chief Finance Officer Statement

There are no financial implications attached to this report.

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

The new framework will ensure that DCC addresses the following key risks:

- Having guidance and consistent arrangements for setting up and recording CFSPs means that it will be fully aware of all CFSPs that it deals with.

- Having regular and robust monitoring arrangements means that it will not fund CFSPs that do not deliver intended outcomes and will be aware of CFSPs that perform poorly, operationally and/or financially.
- Having robust governance arrangements over CFSPs reduces the likelihood of failure in its stewardship of public funds.
- Having early warning mechanisms through regular monitoring information reduces the likelihood that it will suffer financial loss due to a CFSP ceasing to exist and should not have to step in with contingency arrangements to deliver services.
- Having robust business cases for approval of CFSP arrangements means that it can ensure that CFSPs share DCC's values and should not bring the Council into disrepute through its behaviour.
- Having robust legal agreements and service level agreements ensures that both organisations understand their roles and responsibilities and strengthens DCC's position in the event of dispute.
- Providing robust guidance and support to its elected members who sit on outside bodies protects their interests, improves the likelihood of robust scrutiny and clarifies the legal position and conflicts of interest relating to directorships and trustees.
- Overall, the framework means that DCC should not suffer significant damage to its reputation due to failure of a CFSP.

11. Power to make the Decision

No decision required for this report.