

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1A, County Hall, Ruthin on Wednesday, 8<sup>th</sup> February, 2012 at 9.30 a.m.

### **PRESENT**

Councillors J.B. Bellis (Chair), J. Chamberlain-Jones, M.Ll. Davies and G.A. Jones.  
Councillor J. Thompson-Hill attended as an Observer.

### **ALSO PRESENT**

Corporate Director: Business Transformation and Regeneration (BJ), Head of Legal and Democratic Services (GW), Head of Internal Audit Services (IB), Head of Business, Planning and Performance (AS), Senior Solicitor (LJ), Principal Accountant (RW), Corporate Improvement Manager (TW), Audit Manager (BS), Corporate Improvement Officer (IM), Technical Accountant (RJ), Assistant Planning and Performance Officer (CE), Wales Audit Office Representative (AV & DO) and Committee Administrator (CW).

#### **1. APOLOGIES**

Councillors A.G. Pennington and B.A. Smith.

#### **2. DECLARATIONS OF INTEREST**

***RESOLVED** – that no Members declared any personal or prejudicial interests in any business identified to be considered at this meeting.*

#### **3. URGENT MATTERS AS AGREED BY THE CHAIR**

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 Wednesday, 4<sup>th</sup> January, 2012 were submitted.

***RESOLVED** – that Minutes be received and approved as a correct record.*

#### **5. TREASURY MANAGEMENT STRATEGY**

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

The Principal Accountant explained that the purpose of the Treasury Management Policy and Strategy Statements had been to outline the Council's general Treasury Management policy and approach, show how the Council would manage its cash and investments for the coming year, set the limits on its borrowing, determine who the Council can invest with and to set the minimum amount of cash it would set aside for the repayment of debt.

County Council had agreed that the governance of Treasury Management would be subjected to scrutiny by the Corporate Governance Committee. Part of the Committee's role being to review the annual Treasury Management Policy and Strategy Statements for 2012/13 prior to approval by Council.

Members were informed that the figures contained in the report were draft and would be updated prior to approval by Council based on the latest Capital Plan in February, 2012.

The Principal Accountant provided a detailed summary of:-

- The Treasury Management Policy Statement 2012/13.
- Appendix A – An outline of the Council would manage its cash and investments for the coming year, and included details pertaining to the Minimum Revenue Provision Statement.
- Appendix B - The Prudential Indicators for 2012/13, 2013/14 and 2014/15.
- Appendix C – Interest rate forecasts for the Official UK Bank Rate and 50 year GILT rate from March, 2012 to May 2015.
- Appendix D -, Specified and Non-Specified Investments, details determine who the Council can invest with.
- Appendix E – The Recommended Sovereign and Counterparty List

Members of the Committee raised a number of issues and the following responses and explanations were provided by the Principal Accountant:-

- In response to a question from Councillor M.LI. Davies, the Principal Accountant referred to the pending implications of the Localism Bill on Local Authorities in Wales with regard to the reform of the Housing Revenue Account.

- An overview of the Recommended Sovereign and Counterparty List was provided in reply to a question from Councillor J. Chamberlain-Jones, together with, details of the money borrowed to fund the Capital Programme. The Principal Accountant confirmed that long term high interest rate loans were currently reviewed every 6 months and confirmed that the Council intended to reduce its investment balances and rely on internal borrowing, where possible, instead of undertaking external borrowing from the Public Works Loan Board.

- Reference was made to the Regulatory Method for supported capital expenditure and confirmation was provided that provision was being made to repay the debt during a given period of time. The Principal Account also confirmed that the money had been borrowed from Central Government whereas the Welsh Government provides money to repay the debt at 4% of the outstanding amount .
- The Head of Legal and Democratic Services informed Members that provision for Local Government Finance Training had been included in the training plan for the new Council.
- In reply to a question from Councillor M.Ll. Davies, the Principal Accountant provided details of the reserves held by the Authority which were utilised for borrowing purposes. He explained that the bench mark for the amount held in reserve, which was not free money, had been approximately 5%, this was not a set indicator as the figure would be set in accordance with the balance sheets of each individual Authority. It was also confirmed that in most instances reserves would not be utilised to offset Council Tax increases.
- In response to a question from Councillor G.A. Jones regarding investments in Money Market Funds, it was explained that the investment strategy had been based on limits and the risk factor and the need for flexibility.

During the ensuing discussion, it was:-

**RESOLVED** – *that, subject to noting Members comments, the Corporate Governance Committee receives the report prior to approval by Council on 28 February 2012.*  
**[Richard Weigh to Action]**

## 6. REGULATION OF INVESTIGATORY PROCEDURES ACT

A report by the Head of Legal and Democratic Services had been circulated with the papers for the meeting.

The Senior Solicitor introduced the report about Denbighshire's use of its powers under the Regulatory and Investigatory Procedures Act. ( RIPA). Under the legislation an Investigating Officer must make a formal application to an Authorising Officer prior to carrying out any kind of covert surveillance. The application must be made in line with the Council's Policy and Procedures Guidance available on the intranet, and the Authority would be required under the Home Office Code of Practice to make regular, at least annually, reports to Members on the use of such powers under RIPA.

Legal Services held the RIPA Central Record but were not responsible for an authorisation at the present time. However, they did carry out managerial oversight of the applications and conducted quality assurance checks on the standard of the application. An area where Legal Services would want to see significant improvement was the appropriate and proper consideration, on the face of the application of the 'necessity' and 'proportionality' test that must be considered, before taking the decision to carry out covert surveillance.

It was explained that Authorisations did not expire and Authorising Officers must take ownership of their authorisation through it's lifetime. Legislation provided the Council with powers to interfere with a person's human rights such as their private and family life, where it was lawful and proportionate to do so.

Members agreed that the issue of there being an insufficient number of Authorising Officers should be addressed, and in addition recommended that mandatory training be provided. The Committee also supported the view that all Corporate Directors should be named Authorising Officers on applications from Investigating Officers, and that any surveillance of employees, where there had been allegations of criminal offences, should be considered and authorised by the Monitoring Officer, who would also be Senior Responsible Officer under the legislation.

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

- (a) the report be received and its contents noted.*
- (b) all Authorising Officers attend mandatory training.*
- (c) the number of Authorising Officers be increased in order to deal efficiently with applications under the legislation, and*
- (d) a strong communication be circulated to Authorising and Investigatory Officers instructing that applications must be managed, authorised and cancelled in accordance with the law and the Council's policy and procedures, any breaches of such will be reported to this Committee.*

***[Gary Williams & Lisa Jones to Action]***

## **7. CONSTITUTION REVIEW**

A report by the Monitoring Officer, which detailed the outcome of the consultation process to date and suggested areas for change, had been circulated with the papers for the meeting.

The Monitoring Officer explained that one of the Business Transformation Board's Workstreams had been to review the Council's Constitution and within the Corporate Governance Committee terms of reference was the making of proposals for changes to the Constitution.

The report provide the Committee with further information regarding the feedback received from Councillors at a Constitution Review Workshop, and sought approval to the proposed changes for recommendation to Full Council. A copy of the presentation provided at the Workshop had been included as Appendix 1 to the report. The Monitoring Officer referred to the feedback received from Members on the topics raised by the presentation and he provided a summary of the following Key issues which had been highlighted in the report:-

- Scheme of Delegation
- Description of Functions
- Committee Terms of Reference
- Contract Procedure Rules
- Freedom of Information

- Members attendance at meetings and mandatory training in respect Planning and the Code of Conduct.
- The code of conduct to register gifts and hospitality.
- Members role descriptions
- Self Regulatory Protocol
- Cabinet
- Public speaking
- Protocols
- Local Government Wales Measure
- Continuous review of the Constitution

The Monitoring Officer provided a summary of the report and the following key issues were raised and responses provided:-

**Scheme of Delegation** - In reply to a request by the Chair to include in the Constitution reference to the process of reporting delegated decisions by Heads of Service and officers, the Monitoring Officer agreed to examine this matter and explained that delegated decisions taken by officers would be more likely to be operational, regulatory or pertaining to strategic issues.

**Contract Procedure Rules** - The Head of Internal Audit Services confirmed that meetings had been arranged to discuss and consider the design of a new system for the opening of tenders.

**Freedom of Information** - It was explained by the Monitoring Officer that a system for processing and authorising confidential items designated as Part II agenda items would be considered.

**Members** – Members suggested that the reasons for apologies submitted for non-attendance at meetings should be recorded and that factors such as weather conditions, times and locations of meetings, accessibility for members of the public and officers travelling time should also be taken into consideration. The Monitoring Officer explained that many of the issues raised had been discussed at the Constitution Review Workshop, and he provided details of the training provision for Members being arranged by the Member Support and Development Manager. The need to ensure the Member training days did not clash with scheduled meetings was noted.

**Continuous Review of the Constitution** – The Monitoring Officer responded to questions pertaining to the appointment of Chairs of Committees and confirmed that by law the Scrutiny Committees would be operating under political balance and referred to the requirements of Section 66 of the measure.

In reply to a question from Councillor M.LI. Davies, the Senior Solicitor confirmed that the amended draft proposed changes to the Constitution, including track changes, would be presented to the Corporate Governance Committee prior to being presented to Full Council for approval

Following further discussion, it was:-

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

- (a) notes the contents of the report and feedback from Members at the Constitution review workshop held on 24<sup>th</sup> January 2012, and
- (b) requests that the amended draft proposed changes to the Constitution be presented to the Corporate Governance Committee for prior to being presented to Full Council for approval.

**[Gary Williams, Ivan Butler & Lisa Jones to Action]**

## **8. NEW CORPORATE RISK REGISTER**

A report by the Corporate Improvement Manager, which provided an assurance that the process for developing, monitoring and reviewing the Corporate Risk Register was robust, had been circulated at the meeting.

The purpose of the Corporate Risk Register was to identify the potential future events that may have a detrimental impact on the Council's ability to deliver its objectives, including its corporate priorities. The identified controls and actions were therefore crucial to the delivery of the corporate priorities.

It was explained by the Corporate Improvement Manager that, as highlighted in the Risk Management Guidance for Denbighshire, the Corporate Governance Committee had been charged with the responsibility for reviewing the appropriateness of the risk management and the assurance process adopted. He confirmed that the new Corporate Risk Register had been developed, and was owned, by CET.

The Corporate Improvement Manager provided a summary of the process for developing the Corporate Risk Register, details of which had been included in the report. The Corporate Risk Register would be formally reviewed by CET following each round of Service Performance Challenges. However, any significant new or escalating risks would be brought to the attention of CET, through the Corporate Improvement Team, as and when they were identified. CET would then take a view as to whether that risk should be included in the Corporate Risk Register.

The Head of Internal Audit Services confirmed that the Internal Audit function provided an 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 would also utilise information from the service and Corporate Risk Registers to inform the forward work programme.

In response to concerns raised by the Chair, the Corporate Improvement Manager provided details of the monitoring process. It was explained that an annual review and report on the progress of the risk management policy, produced for the Corporate Governance Committee, would identify weak areas which required strengthened to improve the risk management process.

Councillor J. Chamberlain Jones suggested that more detail be afforded to the effects of efficiency savings on service provision and that the Register be adapted to be more user friendly. The Corporate Improvement Manager outlined the role of the Performance Scrutiny Committee in scrutinising the Register. The Corporate Director: Business Transformation and Regeneration explained that risks identified would be included in the respective Service Risk Register which would be examined through performance challenges and the budget setting process. She highlighted the need to understand the consequences resulting from proposed efficiency savings and explained that the process now adopted enabled both Members and officers to make challenges. The Corporate Improvement Manager informed the Committee that a meeting had been arranged with the Equality and Human Rights Commission to assess the impact of efficiency savings. He also stressed the importance of scrutinising the delivery actions in respect of the Service Plans and the role of the Performance Scrutiny Committee in monitoring the process.

In reply to a question from the Chair regarding inherent risks, the Head of Internal Audit Services referred to the Corporate Business Continuity Plan which had been developed to deal with unforeseen incidences.

In response to a question from Councillor G.A. Jones, the Head of Internal Audit Services agreed to check if the security doors within the County Hall building would unlock automatically in the event of an emergency.

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

*(a) receives the report.*

*(b) confirms that it is satisfied that the process for developing, monitoring and reviewing the Corporate Risk Register is robust, and*

*(c) requests the Head of Internal Audit Services to check if the security doors within the County Hall building would unlock automatically in the event of an emergency.*

**[Alan Smith & Tony Ward to Action]**

## **9. REVIEW OF SCRUTINY**

A report by the Head of Business, Planning and Performance, which detailed the conclusions of a review of the new scrutiny system adopted by the Council in May 2011, had been circulated with the papers for the meeting.

The Committee were informed that it had been agreed that the new scrutiny process be reviewed within the first twelve months of operation. The Member/Officer Group which had developed the original proposals had been charged with undertaking the review of the new system. The review had taking as its basis both the original objectives of adopting the new system and the issues raised by Members as potential problems, the intention being to test these out. The method had been to:-

- Understand the views of people involved in Scrutiny; Members, Officers, Senior Managers; Co-optees and Partners;
- Compare the work programmes under the new system with that of the old;
- Obtain the view of the regulators.

The report incorporated the results of the work undertaken, including ideas proposed by Members, and explored the relevant areas in turn. The Head of Business, Planning and Performance provided a brief overview of each of the following Key issues which had been included in the report:-

- Did Members have enough support and information to scrutinise effectively.
- Had the new Scrutiny System been able to scrutinise what's important.
- Had any important issues been missed.
- Had the new structure improved the scrutiny of Partnerships and of Performance.
- Was the new system making the most of Member expertise.
- What had been the impact on the Educational 'Co-optees.
- Had the new system coped with the workload.
- The role of Chairs and Vice Chairs.
- Wales Audit Office View.

Councillor J. Chamberlain-Jones expressed concerns regarding the new scrutiny system and explained that she had been lead to believe that a number of Members were not completely satisfied with the new system. She felt that attendance figures had dropped due to a lack of interest themed approach and that the questionnaire circulated had been compiled in favour the new system. It was also felt that any failings within the old system had resulted from a lack of Member training provision and the process adopted for the appointment of Chairs.

The following issues and concerns were raised by Councillor M.LI. Davies and responses were provided by the Head of Business, Planning and Performance:-

- Concerns were raised that responses to the options in the questionnaire, returned as undecided, would be recorded as having disagreed. It was also highlighted that an option to return to the old scrutiny system had not been included. The Head of Business, Planning and Performance outlined the process adopted for setting the questions contained in the questionnaire

- The importance of the role of Vice Chairs in substituting for Chairs was emphasised. It was felt that reference should be made to section 12.4 of the report in respect of the recommendation relating to the modification of the Chairs and Vice Chairs Group. It was explained that the role and main focus of the Chairs and Vice Chairs Group would be the coordination of the scrutiny programme. The Chair supported the view that the issue of political balance, in respect of the Chairs and Vice Chairs Group, would be taken into consideration and that it be made clear that the Scrutiny Committees were developing their respective forward work programmes.

- Members were informed that items relating to education matters were now being afforded priority for consideration at Scrutiny Committee's where possible.

The Head of Business, Planning and Performance referred to the summary contained in the report and explained that there were clear signs of progress evident from the work-plans of the Committees and the views of senior officers, the Council's



regulators and partners and Members had been more positive than negative on almost every issue. Confirmation was provided that there had been no sign of a negative impact on attendance at Scrutiny meetings and no indication of a desire to return to the old system. He invited Members attention to areas highlighted in the report where it had been considered that improvements could be made.

In response to concerns raised by Councillor J. Chamberlain-Jones regarding the lack of opportunity to return to the old scrutiny system, the Corporate Director: Business Transformation and Regeneration referred to the progress made since the introduction of the new scrutiny system and the Council having moved forward. She explained that for these reasons it would now be difficult and impractical to return to the old scrutiny system.

Following further discussion, it was:-

**RESOLVED** – *that, subject to Members comments:-*

- (a) the report be received and noted.*
- (b) the Council confirms the new structure should continue in its current configuration.*
- (c) the Chairs and vice Chairs group be modified as proposed in the report, and*
- (d) that training for Members on the scrutiny system be included in the induction programme for the new Council.*

**[Alan Smith, Gary Williams & Eleri Woolford to Action]**

## **10. PARTNERSHIP GOVERNANCE TOOL KIT**

A report by the Head of Business, Planning and Performance had been circulated with the papers for the meeting.

The report had been requested in response to the County Council Internal Audit Services review on Partnership Governance, November 2011 and provided advice in respect of consistency, guidance and good practice for partnership working in the future in line with schedule and documentation circulated with the report.

The Head of Business, Planning and Performance explained that the purpose of the proposed Partnership Governance Toolkit had been assist the Authority in improving good governance arrangements and good practice for its partners, to scope partnership work, categorising partnerships in terms of limited, moderate and major significance, to enable the identification of areas for performance improvement and efficiencies.

It was explained that use of the Toolkit, and completion annually of the Significance Assessment Scorecard and Business Case Checklist, would assist in populating the Partnership Register, ensuring it was up to date and relevant.

A key priority had been to ensure a coherent partnership framework in Denbighshire and once in operation the toolkit would ensure the Authority would have:-

- Partnerships complete an annual “Health Check”

- a Partnership Register focussed on significance and risk
- a Register which would identify lead officers in the County
- risks identified which may feed into the appropriate Service and / or Corporate Risk Register.

The improved process of monitoring partnerships would help improve effective scrutiny and focus on strategic partnerships and major partnerships.

The Head of Business, Planning and Performance provided a summary of the following documents circulated with the report:-

- Partnership Governance Toolkit.
- Partnership Governance Toolkit Guidance Notes and Templates.
- Appendix 1 - Partnership Significance Assessment Scorecard – Denbighshire.
- Appendix 2 – Partnership Business Case Check List.
- Additional Information pertaining to Partnership Governance Toolkit Guidance Notes and Templates

Councillor M.LI. Davies referred to the Welsh Language Scheme and Welsh Language Guide and highlighted the need to insist that other public bodies and parties give priority to the use of the Welsh language in respect of their Welsh Language Schemes and language policies. The Head of Business, Planning and Performance supported the view expressed and endorsed the importance of the use of the Welsh language. However, he explained that in the case of partnerships there would in some instance be a need to compromise.

With regard to Partnership Agreements, Members and the Head of Business, Planning and Performance supported the view expressed by the Senior Solicitor that the Legal Department should be involved at an early stage of the process.

Following further discussion, it was:-

***RESOLVED*** – *that the Corporate Governance Committee receive the report and note Members comments.* **[Alan Smith, Gary Williams & Lisa Jones to Action]**

## 11. INTERNAL AUDIT PROGRESS REPORT

A report by the Head of Internal Audit Services, which provided an update of the Internal Audit Service in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement, had been circulated with the papers for the meeting.

The report provided an update on the delivery of our Operational Plan for 2011/12, recent Internal Audit reports issued, management's response to issues raised and Internal Audit's performance.

The Head of Internal Audit Services provided a summary of the report which included details pertaining to:-

Delivery of the Internal Audit Strategy 2011/12  
Summary of Recent Internal Audit Reports  
Internal Audit Performance

Appendix 1 to the report provided a breakdown of work during 2011/12, compared to the revised Operational Plan agreed by the Committee in November, 2011. It included assurance scores and number of issues raised for the completed reviews, definitions used to form the audit assurance and the ratings used to assess the risk-levels for issues raised.

Details of reports issued since November, 2011 had been included in two tables with the risk ratings having been revised to correlate with the new risk management process. The Audit Reports included in the tables related to:-

Partnership Governance  
Carbon Reduction Commitment (Phase 2)  
Post 16 Education PLASC returns – Prestatyn High school  
Prestatyn High School  
Location of Children & Family Services

Following a brief discussion, it was:-

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

- (a) receives the report and notes Internal Audit's progress and performance to date in 2011/12.*
- (b) notes recent Internal Audit reports issued, and*
- (c) notes the responses to the follow up work undertaken by Internal Audit Services.*

**[Ivan Butler to Action]**

### **13. COMMITTEE FORWARD WORK PROGRAMME**

A copy of the Corporate Governance Committee forward work programme had been circulated with the papers for the meeting.

**RESOLVED** – *that the Corporate Governance Committee's Forward Work Programme be approved.*

The meeting concluded at 1.35 p.m.