

ANNUAL GOVERNANCE STATEMENT 2011-12

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1. Scope of Responsibility

- 1.1. Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which we operate, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk.
- 1.3. We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This Annual Governance Statement explains how we have complied with the Code during 2011-12 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. It comprises the Council's systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an ongoing process to identify and prioritise the risks to the Council's achievement of its policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. However, the system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The Council's governance framework has been in place for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts.

3. Key Elements of Our Governance Framework

- 3.1. Our Code of Corporate Governance has six key principles, each with a definition of what this means in the Council. This Annual Governance Statement explains how we have delivered against these principles during 2011-12.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing our medium & long term vision

Denbighshire County Council will be an excellent Council providing high quality and efficient services to all its citizens and communities, which complements our long-term county vision

- **We are exercising strategic leadership by developing and clearly communicating our Corporate Plan and its intended improvement outcomes.**
- **We ensure that users receive an efficient and effective standard of service, whether directly, in partnership, or by commissioning.**
- **Arrangements are in place to report on activities, performance, financial position and to achieve value for money, although we need to develop a more strategic approach to the efficiency programme.**

- The Council's Corporate Plan for 2009-12 has now come to an end, and County Council elections in May resulted in a new team of elected members to shape a new Corporate Plan for 2012-17. We have already commenced work on the Corporate Plan 2012-17, including a significant amount of research, analysis and engagement; however, we agreed to make no decisions before engaging the new Council, so we will publish our Corporate Plan 2012-17 in autumn 2012.
- We have produced a document to explain the transition between the end of the old Corporate Plan and the introduction of the new Corporate Plan. This explains what has happened to our 2009-12 corporate priorities, including a commitment to complete any outstanding activities identified in the old Corporate Plan. This transition document does not perform the role of an improvement plan, as required by the Local Government Measure. Our new Corporate Plan 2012-17 will fulfil this role, which means that we are producing an improvement plan for 2012-13 later than most other Welsh local authorities. This is intentional, as we feel that it is inappropriate to produce an improvement plan without involving our elected members.
- We review our corporate priorities annually to ensure that they remain relevant, and we will continue to develop an annual corporate plan delivery document that shows what we expect to deliver during each financial year. The 2009-12 corporate priorities remain relevant, although we will mainly deliver and manage these priorities through Service Plans in future.
- There are robust business planning, performance and reporting arrangements in place to help deliver the Corporate Plan, communicate our activities and achievements, financial position and performance. We have revised our Quarterly Performance Reports to Cabinet and Performance Scrutiny to cover all major sources of performance information. This reduces fragmentation and potential duplication in performance reporting.
- The Senior Leadership Team (SLT) has agreed a new approach to target setting to encourage consistency and provide clearer definitions of our RAG system. This will significantly improve our performance management framework, but we need to do some further work to embed this change. We have organised a workshop with

SLT for July 2012 to agree steps to implement the new approach across all our Service Plans and the developing Corporate Plan 2012-17.

- The Wales Audit Office Annual Improvement Report 2012 states that:
“Denbighshire County Council is improving outcomes for residents through better planning, delivery and reporting although there is further to go to achieve its ambitious objectives.”
- Service Performance Challenges are now well established, and we have made amendments to the process to improve their effectiveness. Each meeting now has a bespoke agenda based on actual issues, which means that all the meetings are more focused and relevant. Finance is now a fundamental part of the agenda for the Challenges, where we routinely ask services about their contribution to the efficiency programme, both in terms of performance (achievements to date) and plans.
- Service Performance Challenges result in a Service Position Statement for all services. These Statements feed into the business planning process to ensure that services identify and act on areas for improvement.
- Financial planning is integrating more with business planning and performance management. We are confident that the processes we have in place are resilient, and strengthened since the introduction of finance partners to support services, and the development of our medium-term financial plan.
- The efficiency programme has been successful to date, enabling us to identify approximately £10m savings in 2011-13 without any significant impact on frontline services. However, a more strategic approach is needed as savings become increasingly difficult to achieve without having an impact on our communities.

Principle 2 - Having clear responsibilities and arrangements for accountability

Everyone involved in running the Council understands each other's roles and responsibilities and how, together, they will deliver Denbighshire's medium and long-term vision.

- **We ensure effective leadership throughout the Council and are clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.**
- **We ensure that a constructive working relationship exists between elected members and officers and that they carry out their responsibilities to a high standard.**
- **We are improving our processes to ensure that relationships between the Council and its partners are clear, so that each knows what to expect of the other, although we have concerns that current partnerships and collaborations may not have robust governance frameworks in place.**

- We have revised our Constitution, which we will continue to update as we become clear about the requirements of the Local Government (Wales) Measure 2011. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
- Our Constitution sets out a clear statement of the respective roles and responsibilities of the Cabinet and its members, other elected members and of senior officers, including where they fit into the organisational structure. It also provides a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decision of the County Council, taking account of relevant legislation.
- We are engaged in the collaboration agenda, as can be demonstrated by the fact that we have taken the opportunity to get involved in, and lead on, a number of regional collaboration projects.
- We have signed up to the Compact, but the role we will play in implementing this requires further clarity.
- To manage collaboration, we have developed political tools, such as joint scrutiny committees with Conwy County Borough Council, and a Denbighshire and Conwy Collaboration Board. However, we need to develop an understanding of how to scrutinise successfully the governance and performance of regional service delivery from a Denbighshire perspective. The Wales Audit Office will be undertaking a local study on collaboration during 2012-13, and we will respond to address any issues identified as a result of that work.
- The Council is recognised as a leader in terms of developing the partnership agenda, with a joint Local Service Board and its integrated strategic partnership plan (The BIG Plan). However, the partnership agenda is extremely challenging and, although we are making progress, it is proving more difficult than anticipated. For example, the work to align the work programmes of the Children & Young

People's Partnerships has proved difficult due to differences in the existing partnerships structures in Conwy and Denbighshire.

- In recognition that the quality of our partnership governance has been inconsistent, we are now developing a framework within which we can plan and monitor partnerships. As part of this work, we will also develop a Partnership Register. However, we realise that this will not cover partnerships and collaborations already in existence that may not have robust governance arrangements and may be based on informal agreements.

Principle 3 - Good conduct and behaviour

Creating a team that can do the job well and whose behaviours are rooted in our core values of Pride, Unity, Respect and Integrity

- **We ensure that elected members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.**
- **We ensure that we put our organisational values into practice and that they are effective.**

- Our Member and Officer Codes of Conduct and our Core Values promote openness, support and respect through the promotion of high ethical standards. These shared values, including leadership values for elected members and officers, reflect public expectations.
- Our various codes of conduct and protocols clearly define the standards of conduct and personal behaviour expected of elected members and officers, including work between elected members and officers and between the Council, its partners and the community.
- We have processes in place for declarations of interest to ensure that prejudice, bias and other conflicts of interest do not influence elected members and officers in dealing with different stakeholders.
- The Standards Committee meets regularly, with a key role of promoting and maintaining high standards of conduct by elected members, co-opted members and church and parent governor representatives.
- The Public Services Ombudsman for Wales' annual report for 2010-11 states that: *"...although there has been a decrease in the number of complaints received by my office, this figure remains above the average. There has also been a decrease in the number of complaints investigated, and this figure is equal to the figure which could be expected. The complaint outcomes indicate a higher than average number of Voluntary Settlements and Premature complaints."*

Principle 4 – Taking informed and transparent decisions that are subject to effective scrutiny and risk management

The development of governance and scrutiny functions as part of our Strong Governance & Leadership Improvement theme

- **We are rigorous and transparent about how we take decisions, listening and acting on the outcome of constructive scrutiny.**
- **We have good quality information, advice and support to ensure that we deliver services effectively and they are what the community wants/needs.**
- **We have improved our risk management processes but some related policies and processes need updating to ensure that we fully embed risk management.**
- **We use our legal powers to the full benefit of the citizens and communities in the area but need to update our Financial Regulations and Contract Procedure Rules.**
- **We still need to improve our processes to ensure that the right information is available in the right format, which encourages knowledge to be created, shared, learned, enhanced and organised for the benefit of the Council and the community.**

- County Council, Cabinet, Scrutiny and regulatory committees advertise meetings publicly and meetings are open to the public unless information is exempt under legislative provisions. We formally record meetings and decisions, and meeting minutes are publicly available.
- We have implemented a new Scrutiny structure, moving away from the previous directorate-based structure. We have based the new committees around the themes of Performance, Partnerships, and Communities. Although the new structure is less than 12 months old, there are signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
- Performance Scrutiny members have a lead on a particular service, which enables them to develop knowledge and expertise in specific service areas. They can then bring areas of concern to the attention of the Performance Scrutiny Committee. These lead Performance Scrutiny Members are also part of the Service Performance Challenge for their designated services.
- We have processes in place to safeguard elected members and officers against conflicts of interest.
- The Corporate Governance Committee is effective and operates independently of Cabinet and Scrutiny functions.
- We have effective, transparent and accessible arrangements in place for dealing with customer complaints against services, officers and elected members through 'Your Voice', the Constitution, Standards Committee and disciplinary procedures.
- Arrangements are in place to ensure that County Council, Cabinet and committees receive appropriate professional advice and information on which to base their decisions.

- Our financial management arrangements are strong, and we have received positive reports from the Wales Audit Office through the Annual Letter.
- Until 2011, responsibility for coordinating risk management was part of the remit of the Internal Audit service. Following the review of strategic risk management, the Corporate Improvement Team now coordinates it, aligning it more closely to business planning and performance management.
- This separation of duties also enables Internal Audit to undertake an independent assessment of how effective the risk management process is, which would have been difficult under the previous risk management arrangements. This will take place during 2012-13 once the new processes have had time to embed.
- Although we feel confident that this new approach significantly improves our ability to manage risk effectively, the new system is in its infancy and there is more work required to ensure complete consistency between the corporate and service risk registers. We also need to ensure that existing controls are clear and tangible, and can therefore be tested effectively.
- We also need to embed the scrutiny of risk registers into the Service Performance Challenges, and carry out more work to integrate the new approach with the management of risk for projects.
- We have whistleblowing and anti-fraud and corruption policies in place, but we need to revise these to take account of the Bribery Act 2010.
- We have an effective, independent and objective internal audit service that has open access to the Chief Executive Officer and Corporate Governance Committee.
- We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in last year's Annual Governance Statement and remains so this year.
- We need to develop a more consistent approach to the use of information to support strategic planning and decision-making. An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily.

Principle 5 – Developing skills and capacity

One of the Council's strategic aims set out in our Statement of Intent by supporting, training and developing our staff and elected members to maintain an adaptable, skilled and flexible workforce to meet future challenges and adapt to new priorities

- **We make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles but need to improve the regularity and quality of officer appraisals. We have focused on improving completion rates for the past two years, but we plan to focus more on the quality element during 2012-13. We will also need to carry out a needs assessment for elected members following the May 2012 elections.**
- **We are developing the capability of people with governance responsibilities and developing processes to evaluate their performance as individuals and as a group.**
- **We encourage new talent for the organisation so that best use can be made of individuals' skills and resources in balancing continuity and renewal. However, we recognise the need for more flexibility in the workforce for future service delivery.**

- We have a new member training and development plan to make sure that elected members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. However, we will need to carry out a full needs assessment to ensure that elected members continue to receive the training and development they need to perform their roles effectively.
- We have implemented a new employee appraisal process, but need to improve the completion rate and quality of appraisals to ensure that we continue to manage employee performance, identify emerging talent and provide the training and development they need. We are developing a concept (initially called “the Hwb”) which will enable the council to identify the necessary capacity within our existing workforce to deliver projects to support our new Corporate Plan. We will undertake an equality impact assessment as the concept develops to ensure that the proposal treats all groups of staff fairly.
- We have made some improvements to workforce planning and the way it makes use of its staff to achieve improvement; however, we recognise that we need to do more to improve the flexibility of the workforce to enable us to utilise members of staff in the areas of greatest need.
- We have provided extensive leadership training to several tiers of management and are working on a process to identify emerging talent through the new appraisals process.
- We are an outward looking organisation that actively seeks contributions from other public sector agencies and the private, voluntary and community groups to assist the county and the Council. We have developed a new Corporate Engagement Strategy for implementation from May 2012.
- We have developed Member Area Groups to disseminate local information to councillors, and we are strengthening our relationship with Town and Community

Councils (T&CC) through a recently developed Charter, which formalises the roles and responsibilities of each party.

- We hold quarterly Middle Manager Conferences to engage our senior managers, develop emerging talent and use the skills and resources that exist within our services.
- Officers and elected members have the opportunity to feed ideas back to the Council through Your Voice and the Bright Ideas suggestion scheme.

Principle 6 - A high-performing Council, closer to the community

Through engaging local people and other stakeholders to ensure robust public accountability

- **We have improved our scrutiny function, which effectively engages local people and all local stakeholders, including partnerships, and develops constructive accountability relationships.**
- **We take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery, whether directly by the Council, in partnership or by commissioning. However, we need to ensure consistency and co-ordination in our engagement across the organisation.**
- **We make best use of human resources by taking an active and planned approach to meet responsibility to staff.**

- The Wales Audit Office Annual Improvement Report 2012 states that:
“The Council has made good progress with its planned actions to improve the way it works and become ‘a high performing council, close to the community.’”
- Scrutinising arrangements are in place to engage with local people and associated stakeholders to assist in the scrutiny process. We implemented new Scrutiny arrangements from May 2011, which shows signs of improvement. We have reviewed the impact of the new Scrutiny system and reported to Council in February 2012, where members confirmed that the structure should continue in its new configuration.
- Senior management and elected members receive and consider internal audit and external regulator reports. Internal Audit introduced revised follow up processes during the year to hold Heads of Service accountable for improvements within their services. This had led to improved implementation rates by the agreed date.
- We hold Council, Cabinet and committee meetings in public unless there are good reasons for confidentiality.
- We communicate effectively with our communities and stakeholders, although more work is required to understand whether our approach to engagement is consistent across the organisation. Although most Council services consult or engage with residents or service users in some form or other, we recognise that we lack a consistent approach to how or when we consult. This can result in duplication; inconsistencies in the approach; missed opportunities to share valuable data; and inconsistencies in how we analyse and use the information.
- We publish an annual performance report and Statement of Accounts, making our final accounts available to the public in accordance with legislation.
- We have a ‘Progress Through People’ framework to encourage and promote a culture of engagement and recognition amongst our employees. There are six key strands of ‘Employee Engagement and Communication’; ‘Good Employer’; ‘Staff Recognition’; ‘Healthy Workforce’; ‘Workforce Planning’ and ‘Workforce Development’.
- We carried out a staff survey in 2011, and developed an action plan as a result.
- Other key developments include:
 - our Intranet - this is seen as one of the most vital tools of internal communications;

- monthly core briefs for team briefings;
- Excellence Denbighshire – an annual awards ceremony that celebrates good practice, awards outstanding performance and recognises staff achievement; and
- Bright Ideas – the staff suggestion scheme.

4. Review of Effectiveness

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The outcomes of this are contained within the six key principles above, informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. We have maintained, reviewed and improved the effectiveness of the governance framework by carrying out the following:
- The Monitoring Officer and Corporate Governance Committee regularly review the Constitution. This work is ongoing during the implementation of the Local Government (Wales) Measure 2011. Our Head of Legal and Democratic Services is leading on our response to the Measure. We have implemented all elements of the Measure where we have received Welsh Government guidance, but we are awaiting the final guidance before planning our approach to the remaining elements.
 - The Head of Finance & Assets regularly reviews financial controls and is in the process of restructuring the Finance service. This will ensure that the Finance team continues to support services in the most efficient manner and bring a greater focus on value for money, compliance and efficiency within services.
 - We have reviewed our Strategic Risk Management process, transferring the co-ordination to the Corporate Improvement Team. This provides better governance by allowing Internal Audit to objectively review risk management now that it has no management responsibilities in this area. This independent review will commence in 2012-13 to allow the risk management process time to embed.
 - Our Internal Audit service is risk-based and ensures that it aligns its work with the Corporate Risk Register and requirements of the Council's S151 Officer. During 2011-12, the service completed all of its planned work in financial and high corporate risk assurance areas to allow the Head of Internal Audit to produce the Annual Internal Audit Report that provides an overall assessment on the adequacy of the Council's internal control environment and raises any significant areas of concern.
 - The Wales Audit Office reviews Internal Audit annually to ensure that it meets the required professional standards, but no report was available at the time of developing this Annual Governance Statement.
 - We act on external audit and other review agencies reports, developing action plans for Scrutiny Committee monitoring. Corporate Governance Committee maintains an overview of these action plans.
 - We have Scrutiny and other committees, including Corporate Governance and Standards Committees to monitor performance, conduct, risk management, external and internal regulator reports etc. Corporate Governance Committee actively holds senior management to account if they do not act on regulatory reports.

- We regularly monitor performance against the Corporate Plan, service plans and key targets, reporting of this to senior management and elected members.

4.3. We are aware of the implications of the results of the review of effectiveness of the governance framework plan to address weaknesses to ensure that a continuous improvement of the system is in place. The Head of Internal Audit Services will develop an action plan that the Corporate Governance Committee will monitor during 2012-13. The action plan will include the significant governance issues outlined below, as well as any less significant issues identified during the review of the governance framework.

5. Significant Governance Issues

Issue	Action	Responsibility & Timescale
<p>Information Governance We have not made sufficient progress in developing policies and processes to govern the management and secure handling, storage, disposal and sharing of information assets. This was a Significant Governance Issue in last year's Annual Governance Statement and remains so this year.</p> <p>We need to develop a more consistent approach to the use of information to support strategic planning and decision-making.</p>	<p>Responsibility for Information Governance has now passed to the Head of Business Planning & Performance who will develop an action plan to deal with any outstanding issues.</p> <p>Freedom of Information Exemptions Panel already set up to improve governance.</p> <p>Internal Audit review in 2012-13 of Data Protection Act and Freedom of Information to provide a more detailed review of these two key areas of information management</p> <p>An initial project is now underway to scope the current demand for information / data and explore options for organising information to meet that demand. This will enable us to manage the external environment better, and identify those opportunities and threats more easily.</p>	<p>Head of Business Planning & Performance 31 October 2012</p> <p>n/a</p> <p>Head of Internal Audit 30 September 2012</p> <p>Head of Business Planning & Performance 31 July 2012 (for completion of initial scoping exercise)</p>

5.1. We propose over the coming year to take steps to address the above matters 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.

Signed: (Leader)2012

Signed: (Chief Executive)2012