
GOVERNANCE AND AUDIT COMMITTEE 7/09/23

Present:

Councillors: Menna Baines, Jina Gwyrfai, Elwyn Jones, Edgar Wyn Owen, Arwyn Herald Roberts, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Paul Rowlinson, Angela Russell, Rob Triggs and Elfed Wyn ap Elwyn

Lay Members: Sharon Warnes, Hywel Eifion Jones, Clare Hitchcock, Carys Edwards and Rhys Parry

Officers:

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance Department - Accountancy and Pensions), Sian Pugh (Assistant Head of Finance Department - Sustainability and Developments), Delyth Jones-Thomas (Investment Manager), Caren Rees-Jones (Group Accountant - Capital and Management), Bleddyn Rhys (Audit Leader), Eva Chan (Audit Leader) and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)

- Item 7: Councillor Dyfrig Siencyn (Council Leader) and Dewi Jones (Council Business Support Service Manager)
- Item 10: Meinir Griffiths (Service Improvement Officer)
- Items 11 and 12: Alan Hughes and Yvonne Thomas (Wales Audit), Dewi Jones (Council Business Support Service Manager) and Jennifer Rao (Business Support Officer).
- Item 13: Iwan Evans (Head of Legal Service)

1. APOLOGIES

None to note

Councillor Edgar Owen and Councillor Arwyn Herald Roberts were welcomed to their first meeting of the Committee.

Condolences were extended to Sharon Warnes on the recent loss of her husband and to Luned Fôn Jones (Internal Audit Manager) as her brother had passed away recently.

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2. DECLARATION OF PERSONAL INTEREST

Item 7. Local Government Act 2021 - Self-assessment / Subject: Improvement Priority 2 'Every Pupil having the opportunity to achieve their potential' / Bangor Catchment Area / Ysgol y Faenol

- Cllr Menna Baines - Local Member / Ysgol y Faenol Governor / Member of Pentir Community Council / Chair of the Canolfan Penrhosgarnedd Management Committee
- Cllr Elwyn Jones - Pentir Community Council Clerk

They were not prejudicial interests and therefore they did not have to leave the meeting.

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the previous meeting of this committee, held on 25 May 2023, as a true record.

5. IMPLEMENTING THE DECISIONS OF THE COMMITTEE

A report was submitted providing an outline of how the Council's departments had responded to the decisions of the Governance and Audit Committee so that Members could be assured that their decisions were addressed. It was noted that the report gave Members an opportunity to consider the decisions made with the intention of removing the item / decision when the action had been completed.

Gratitude was expressed for the report.

In response to an observation regarding the long-term absence of staff in the Internal Audit Service, it was noted that staff within the service had stepped up and that there was good management of delivering statutory duties.

In response to an observation regarding exit interview arrangements, it was noted that the matter was now on the work programme of the Human Resources Service.

RESOLVED:

To accept the report.

6. ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE 2022-23

The annual report was submitted by the Committee Chair. It was highlighted that this was the first time for the report to be submitted and this in response to a

strong recommendation by CIPFA which noted that the Committee should prepare an annual report that provided assurance to everyone who was responsible for governance that it achieved its purpose and could show impact. The purpose of the report was to encompass the work of the Committee over the 2022-23 year and to highlight how the Committee had achieved its statutory duties and added value to the governance arrangements of Cyngor Gwynedd.

The Chair welcomed observations from Members before submitting it for the Full Council's approval on 28-09-23. The Head of Finance Department was thanked for his work of preparing the report and also the Cabinet Member for Finance - Councillor Ioan Thomas for the special collaboration between him and the Committee. The Council Leader, Councillor Dyfrig Siencyn was also thanked for being part of the Committee's arrangements and his willingness to submit reports for observations.

The Head of Finance added that the report responded to the statutory requirements of Welsh Government and had been set out in accordance with the Committee's functions (some mandatory functions and others as functions appointed by the Cyngor Gwynedd Constitution). Attention was drawn to the effectiveness of the Committee and the intention of submitting a report to the next meeting regarding undertaking a self-evaluation of the Committee's work - this was perceived as good practice, an important step forward and of assistance to the Members.

During the ensuing discussion, the following observations were noted:

- That training sessions on specific fields had been beneficial - a suggestion was made to include these details in the report.
- Arlingclose training was appreciated - a suggestion was made that all Councillors should receive this training.
- Welcomed the report and thanked the Chair for her work and guidance during the year.

In response to a question regarding the meaning of the statement 'that savings will not have an uneven impact across the County' (para 18), it was explained that the observation had been made by the Committee when discussing the impact of savings. The observation was added to the final report that was submitted to the Cabinet and the Council.

RESOLVED:

To accept and approve the Annual Report.

Note: To include the details of relevant training courses attended by Members.

7. LOCAL GOVERNMENT AND ELECTIONS WALES ACT 2021 - SELF-ASSESSMENTS

In accordance with a new statutory requirement under the Local Government and Elections (Wales) Act 2021, a report was submitted by the Council Leader, Councillor Dyfrig Siencyn reporting on the Council's Annual Performance and Self-assessment looking back at 2022/23. He suggested that the statutory requirement was an addition to the industry of 'words' and questioned whether or not it added value. However, it had to be accepted that there was importance in undertaking continuous self-assessment, the need for a robust system and an

opportunity for the Executive to hold a conversation about the satisfaction of requirements during the financial year.

The team of chief officers who had prepared the Self-assessment and the Committee were thanked for their work of reviewing the report and offering observations / recommendations on the changes to the conclusions or actions the Council intended to take.

The challenge of explaining the 'work of the Council'; the challenge of setting budgets and the need for the public to understand this was highlighted. It was also noted that a number of the amendments identified in the 21/22 self-assessment remained in the report because a number of the amendments were long-term issues, and it was in December that the self-assessment for 2021/22 was published. Reporting progress within the amendments will be submitted during the year.

Workshops would be held during 23/24 to discuss the progress within the amendments and a performance update would be submitted within the year.

Gratitude was expressed for the report.

During the ensuing discussion, the following observations were made by members:

- That the word 'suitable' was debatable in the context of '...difficult to attract suitable lay and elected members to be on the committee...'
- A suggestion was made to include a brief explanation of the evidence before the conclusions - unlikely that some would open every link in the report and/or ensure that the summary was brief and effective that would summarise the evidence - easier for the public to understand. It was accepted that this was not practical for this version of the report, but it was agreed to consider this for the next version.
- There was a need to ensure that documents / evidence sources were up-to-date (a number of the links were for 2021/22 reports - this was a weakness). It was noted that this document was prepared before a number of other documents/sources of evidence for the year in question were adopted. As a result it was not possible to include links even though there was collaboration between the authors when compiling the report.
- County residents had an understanding of the Council's work fields but perhaps not the complexities - a responsibility here to explain the Council's work to residents.
- There was a need to raise awareness and engage with new electors - school children.
- A request for the working group of officers who developed an efficient framework to measure value for money within the performance challenge regime to submit their findings to the Committee.
- It was suggested that Committee members (and specifically lay members) should receive training about the principles of Ffordd Gwynedd
- That there is a need for consistency within the reporting style of the departments - eager to improve this for the future
- Needed to highlight pride in what was already being done well.

In response to a question why the Committee's observations on issues such as Care Homes, Homelessness etc. had not been included in the report, which would bridge the Council's work with the Committee's work, it was noted that

including the response was the responsibility of Heads of Department. It was too late to add the observation this year but it was certainly an observation for future reports.

Observations on Performance Reports (not part of the Committee's official responsibility)

- Create High Value Jobs (a salary of £31,300 or more) - the salary seemed low considering the costs of buying a house in the area. Needed better salaries to keep young people locally.
- Needed to promote and create a background profile of the County's apprentices - ensure that everyone had a fair opportunity.
- Concern about legal issues regarding land transfers and the lease of Ysgol y Faenol - a request to Internal Audit for further information / review of the situation.

DECISION:

To accept the report

8. STATEMENT OF ACCOUNTS 2022/23 (SUBJECT TO AUDIT)

The Cabinet Member for Finance took the opportunity to thank all staff at the Finance Department for their commitment to ensure that the Council's (draft) Accounts Statement had been submitted to Audit Wales since the end of June, and this within a very short period. He gave members an update on their responsibilities and thanked them for the good collaboration.

The Assistant Head of Finance Department - Accountancy and Pensions explained that the accounts would usually be submitted before the summer, but as there had been no Committee meeting in June, this was the first opportunity to submit them. It was added that there had been an extension again this year to the statutory timetable to audit accounts, with the intention of completing the audit and this Committee approving the accounts in December.

Members were reminded that the end of year financial position for 2022/23 had been submitted to the Committee on 25 May in the form of a simple out-turn report, but the Statement of Accounts, for external and governance purposes, had to be completed in CIPFA standard form. It now appeared as a lengthy and technically complex document.

The content of the report was reported upon explaining that six sets of accounts for 2022/23 were being completed:

1. Cyngor Gwynedd
2. Gwynedd Pension Fund
3. GwE (substantially-sized joint committee and therefore Full Statements had been prepared)
4. North Wales Ambition Board (substantially-sized joint committee and therefore Full Statements had been prepared)
5. Gwynedd Harbours and
6. Gwynedd and Anglesey Joint Planning Policy Committee (submitted to a meeting of the Governance and Audit Committee on 25 May 2023).

Reference was made to the Narrative Report that provided information about the Accounts and on the vision and priorities of Gwynedd, the Financial Strategy and the financial performance measures. Members were guided through the report

and details were provided on some elements:

- Summary of capital expenditure. Capital expenditure amounted to £37 million during the year compared to £37 million in the previous year as well.
- The main financial statements included Income and Expenditure Statement, Balance Sheet, Cash-flow etc.
- Movement in Reserves Statement which was an important statement and summarised the Council's financial position. It was highlighted that the Council's general balances were £7.9 million at the end of March 2023, namely the same level as March 2022. That Reserves highlighted a reduction in the £106 million funds at the end of March 2022 compared to £104 million by the end of March 2023.
- School balances where a reduction of £4.8m was seen in school balances - £17 million at the end of March 2022 compared to £12 million by the end of March 2023.
- There had been a considerable shift in the balance sheet position by March 2023 compared to the previous year due to Pension Liability. It was explained that the matter was not unique to Gwynedd but rather a general picture due to market conditions. On 31 March 2023, the Council had a further pension liability of £242 million, but on 31 March 2023, the assets' value was higher than the liabilities' value with a net asset position of £136 million. The reason for this was that the actuary's valuation used corporate bonds, and because these had yielded high, it had led to high accounting discount rates, which made the pension liability values substantially less. It was added that the pension calculating standards did not allow assets to be shown for a defined benefit pension scheme, therefore the asset's value had been adjusted to £0 on the balance sheet. It was noted that the Finance Department was awaiting further instructions from Audit Wales and CIPFA on the matter, and if any change to the handling was needed following these instructions, they would be revised by the final Statement of Accounts.

Reference was also made to Note 10 - Detailed information about funds which included earmarked Reserves: School Balances, Earmarked Reserves including analysis of the £104 million reserves (including the principal reserves, namely capital reserves, the Council plan reserve, supporting the financial strategy reserve and the Council's Tax Premium reserve).

Reference was made to Note 15 - Property, Plant and Equipment which presented an analysis per category: land and buildings, vehicles, plant and equipment etc. Capital Liabilities which included capital work at Ysgol Trefferthyr, Cricieth - the amounts and payments so far.

The Chair thanked the Department for the detailed work and invited questions and observations from members. During the discussion, the following matters were raised:-

- The Assistant Head of Finance was congratulated on submitting the report in an interesting and coherent manner. The report was comprehensive.
- Congratulated the Department on completing the work within a tight schedule.
- That having reserves was necessary for unexpected situations.

In response to a question regarding the Pension Liability and whether the matter

would create instability, it was noted that market conditions and inflation were responsible for the situation and that it was a technical matter in essence. The unusual situation related to technical recording rather than a financial matter.

In the context of reserves and the fact that they had been earmarked for specific fields, it was asked what would happen should anything unexpected arise e.g., free school meals. It was noted that there were specific reserves to implement the Council's priorities and one-off bids, and it would be possible to fund something unexpected from this reserve.

In response to a question about reviewing earmarked reserves given that there had been no expenditure on some of those reserves this year, and the likelihood of the need for additional funding for next year's budget, it was noted that these reserves were reviewed on an annual basis with the Chief Executive. It was added that it was intended to restore some reserves and harvest others ensuring that funding was available for the future and to fund unexpected situations (the Supporting the Financial Strategy Reserve was an example of this). In response to a supplementary question on why the Covid-19 Recovery Arrangements Reserve could not be transferred to the general reserves, it was noted that this funding was the result of receiving grants from Welsh Government during the pandemic and that the Fund had been created as the accounts of the relevant year were closed.

RESOLVED to accept and note the Council's Statement of Accounts (subject to audit) for 2022/23.

9. TREASURY MANAGEMENT 2022/23

The Investment Manager presented a report on the actual results of the Council's treasury management during 2022/23, against the strategy approved by the Full Council on 3 March 2022. It was reported that the year had been a very busy and prosperous one for the Council's treasury management activity as the activity had remained within the constraints originally set. It was confirmed that there were no defaults by institutions in which the Council had deposited money with.

It was reported that £1.8m in interest had been received on investments, which was higher than the £0.4m included in the budget. It was noted that the interest income was substantially higher than the budget as the budget had been set in a period where the basic rate was 0.75%; by March 2023, it was 4.25%.

On 31 March 2023, the Council was in a very strong position with net investments, which had resulted from a high level of investments and operational capital. This included £57 million of the Ambition Board's funding and £18 million of the Pension Fund.

In the context of investments, it was reported that the Council had continued to invest with Banks and Building Societies, Financial Market Funds, Pooled Funds, Local Authorities and the Debt Management Office. It was noted that the pooled funds were mid/long-term investments which brought in a very good income level, and with the Council's funding levels healthy, the Investment Unit was considering a further investment in these funds in the near future.

In the context of the compliance report and indicators, it was reported that all activities had complied in full with the CIPFA code of practice and the Council's

treasury management strategy - this was good news and showed that there was robust management of the funding. Reference was made to the indicators where it was highlighted that every indicator complied with the expectation except for one (Interest Rates Disclosure). It was explained that this indicator had been set during low interest conditions in March 2022 and, therefore, it was reasonable that the amounts were so different.

Gratitude was expressed for the report.

In response to a question regarding the need to re-set the indicator that did not comply, it was noted that Arlingclose suggested the indicators that should be used. The observation was accepted as a fair one and as the 1% interest condition was now irrelevant to current circumstances, the observation would be highlighted to Arlingclose at their next meeting.

In response to a question regarding borrowing to other Councils, it was noted that the Council continued to do so and to Councils that were safe. It was noted that Arlingclose had a list of those Councils where they should not invest. In response to a question regarding the section 114 notice and the likelihood that councils, which had previously borrowed, would have the right not to repay the loan, it was noted that Arlingclose had confirmed that those Councils would have to repay the loan, which was different to investment arrangements with a private company. It was added that maybe the worst case scenario would be that interest was not repaid, but this would equate to renegotiating the terms of the loan.

In response to an observation about borrowing to local Councils and whether some Councils seemed to be more unstable than others (considering the recent announcement from Birmingham Council noting that it could not balance its budget without support), it was noted that the current list of Councils that should not receive an investment was up-to-date and that the assurance from Arlingclose was verified every morning.

RESOLVED:

To accept the report for information.

10. ANNUAL COMPLAINTS AND SERVICE IMPROVEMENT REPORT 2022/23

A report was submitted by the Head of Corporate Support Department who presented the observations of the Ombudsman for Wales on the Council's arrangements and performance in relation to dealing with complaints and service improvements during 2022/23 thus highlighting successes, challenges and developments. Members were reminded that the Committee had a statutory requirement to ensure that the Council had effective arrangements in place to deal with complaints. It was added that there had been no change in the procedure or the Concerns and Complaints Policy during 2022/23 and, therefore, the content of the Ombudsman's letter was based on the Policy adopted by the Council in 2021.

It was reported that the Annual Letter had been received on 17 August 2023. Reference was made to some comments and recommendations made by the Ombudsman, which included, "I would encourage Cyngor Gwynedd, and specifically your Audit and Governance Committee, to use this data to better understand your performance on complaints and consider how well good complaints handling is embedded throughout the Authority".

Reference was made to the relevant training that Committee Members had received (Overview of good practice in Improving Services of Complaints - November 2022) along with an observation that an amended letter had been received rectifying an error to statistics of the Code of Conduct Complaints.

Gratitude was expressed for the report.

In response to a comment that the number of complaints had reduced and whether or not the reason for this was accurate recording, it was noted that the record was realistic and that every complaint received was recorded (before being referred to the relevant service). It was added that the content of the complaints was the Cabinet's responsibility and that the Committee was responsible for ensuring the Council's arrangements in response to complaints.

In response to an observation that 17% of complaints had been received for 'Complaints Handling', it was noted that this was either because the Ombudsman's Office dealt with complaints differently to the Council or that the relevant service had not fully responded / understood the procedure. It was reiterated that training was being encouraged and that lessons were being learnt. It was also noted that some services were worse than others, that every service was improving and that some were being targeted to receive further training.

In a response to an observation about a further / detailed report, it was noted that there was no intention to submit more information as the responsibility of the Committee was to ensure effective arrangements within the Council to deal with complaints. In response to an additional observation regarding what services needed to do to improve response, this year, in accordance with the statutory requirement, it was noted that the Cabinet verified the role of services, and that the Committee was responsible for verifying the contents of the letter. In response, the Chair noted that a snapshot of what was submitted to the Ombudsman was before the Committee and that there was no information about the procedure.

RESOLVED:

To accept the report.

a. AUDIT WALES REPORTS - Q1 UPDATE

Alan Hughes and Yvonne Thomas (Audit Wales), Dewi Wyn Jones (Council Business Support Service Manager) and Jennifer Rao (Business Support Officer) were welcomed to the meeting to submit their observations / responses.

a) Quarter 1 Update

Submitted - a quarterly update (up to 30 September 2023) on the work programme and timetable of Audit Wales. A discussion was held on the financial audit and local performance audit work, highlighting that the Annual Report would be published in November 2023.

The Audit Manager, Audit Wales drew the Committee's attention to one error in the report submitted. Where the report noted "The Annual Form of the Joint Planning Policy Committee has not yet been received", they had actually received the Annual Form of the Joint Planning Policy Committee on

13 June 2023.

Reference was made to the Digital Themes Review highlighting that the first draft of the review had been shared with the Council. It was added that a Scrutiny Efficiency Review had been completed and that discussions had been held on 06-09-23 to agree on the final report. It was intended to submit the final report to the next meeting of the Committee. Reference was made to planned local government national studies, along with national reports and other outputs that had been published by Audit Wales since June 2022, which included 'A missed opportunity? - Social Enterprises'.

Gratitude was expressed for the report.

In response to an observation that there was no reference in the update to the recent concrete crisis (safety of public buildings constructed using RACC aerated concrete), it was noted that audit schemes would adapt as the need arose and as the matter was ongoing, it was likely to influence future schemes.

b. PROVIDE AN UPDATE ON REPORTS RECENTLY PUBLISHED BY AUDIT WALES - 'A MISSED OPPORTUNITY' - SOCIAL ENTERPRISES

It was reported that the Governance and Audit Committee had a duty to review and assess the risk management arrangements, internal control, performance management and the Council's corporate governance and as part of that duty, there was an expectation to consider the reports of external review bodies such as Audit Wales, Estyn and Care Inspectorate Wales. In addition, committees were expected to assure themselves that arrangements were in place to monitor and evaluate progress against any recommendations in those reports.

The 'Missed opportunity? - Social Enterprises' report was submitted, along with the response of managers who outlined what the Council intended to do to respond to the recommendations within the report.

It was explained that the work of developing a strategy and vision had commenced by holding a joint face-to-face meeting with representatives from the Third Sector Liaison Group in Gwynedd. A workshop had been held where attendees (Third Sector, Officers and Councillors) were given an opportunity to contribute towards the development and co-production of priorities for action. The next step would be to analyse the observations gathered, to hold another meeting in October to develop the vision in full and to share a further update with the Committee within 6 months.

Gratitude was expressed for the report.

In response to a question regarding what a social enterprise was, it was noted that a recent meeting was held with third sector organisations that are part of the Gwynedd Third Sector Liaison Group who represent people in society - examples in Gwynedd would be Mantell Gwynedd, GISDA, Menter Fachwen. In an additional observation, a suggestion was made to list examples of social enterprises in the managers' response document in order to understand the broader context. The Audit Wales Officer added that it was difficult to set a definition of the term, but that it was a not-for-profit body to ensure social value. Reference was made to 1.24 of the report where it was noted that the best websites by local authorities included a 'clear definition

noting what is a Social Enterprise'.

In response to an observation that the report was generic and that it was not suggested that an opportunity had been missed, it was noted that there was conflict between local and national work, and although the report seemed generic, that recommendations led to local opportunities.

During the ensuing discussion, the following observations were made by members:

- That the work of social enterprises was very commendable; however, as Local Authorities disposed of assets and lost control, this could lead to enterprises dismantling the work of Local Authorities.
- That there were good examples of social enterprises in the county and if they were managed correctly, the social benefit was a positive one.

RESOLVED to accept the report.

Note: 11b - suggestion to include names / examples of Gwynedd Social Enterprises in the response in order to understand the broader context

12. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS

Members were reminded that the item was to be considered as a governing role and not as a scrutiny role with a request that the Committee should be satisfied that there were appropriate arrangements in place to ensure that improvement proposals arising from external audits should be realised.

It was noted that the work of responding to most of the improvement proposals was continuous work and that the Governance Group chaired by the Corporate Director had been addressing the improvement proposals and the progress of the recommendations. It was reiterated, in relation to those proposals where the conclusion noted 'completed', that these categories, following feedback from the Committee, had now been separated into two parts to reflect whether the recommendations had been realised or if they were ongoing work for the department.

Gratitude was expressed for the report.

During the ensuing discussion, the following observation was noted:

- That a number of reports were likely to return.

In response to an observation that there was a slippage to the Human Resources Information System Report, although there was a clear slippage, it was noted that the report states that it is anticipated that the work programme of responding to the recommendations would be completed by the end of March 2024. On a local level, it was added that an officer would be appointed to examine the actions and that a 'managers' response' document would be prepared to ensure Council ownership of the work; on a national level, an officer would be identified if relevant.

RESOLVED to accept the report.

13. REVIEW OF THE CONSTITUTION

Submitted – the report of the Monitoring Officer highlighting elements of the Constitution that needed to be updated either in response to the requirements of the Local Government and Elections (Wales) Act 2021, legal amendments or arrangements that justified an amendment. It was reported that it had been a period that had seen several changes to the Constitution as the Act had come into force and that further changes were a matter of bringing the house to order.

It was noted that the issues were subject to the Full Council's approval; however, the Committee was asked to consider and support the proposed amendments and recommend to the Full Council that they adopted them.

Gratitude was expressed for the report.

During the ensuing discussion, the following observations were noted:

- Despite extending the notice period for a question to the Full Council to 3 working days so that officers could respond in more detail to potentially technical issues, this did not meet the time needed to prepare for a supplementary question.
- Increasing the threshold of placing the Council seal on contracts from £50,000 to £100,000 was a wise move.

RESOLVED To support the proposed change to the Constitution and recommend to the Full Council that they are adopted

The meeting commenced at 10.00 am and concluded at 1.15 pm

CHAIRMAN