
GOVERNANCE AND AUDIT COMMITTEE 12/10/23

Present:

Councillors: 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 (Chair), 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), Siân Pugh (Assistant Head of Finance Department - Sustainability and Developments), Delyth Jones-Thomas (Investment Manager), Caren Rees Jones (Group Accountant - Capital and Management), Caleb Lewis (Cynllun Yfory - Finance and Accountancy Professional Trainee), Bleddyn Rhys (Audit Leader), Eva Chan Williams (Audit Leader) and Lowri Haf Evans (Democracy Services Officer).

Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)

Item 11: Alan Hughes and Yvonne Thomas (Audit Wales), Dewi Jones (Council Business Service Support Manager) and Vera Jones (Democracy and Language Services Manager).

1. APOLOGIES

Apologies were received from Councillor Menna Baines and Councillor Jina Gwyrfa.

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the previous meeting of this committee, held on 7 September 2023, as a true record.

Item 6: Annual Report of the Governance and Audit Committee 2022-23 - *'the intention to submit a report to the next meeting regarding undertaking a self-evaluation of the Committee's work'* - it was noted that the report would be submitted to the meeting on 14 December 2023.

It was good to see Sharon Warnes Chairing the committee following her recovery after a period of ill-health. Councillor Paul Rowlinson was thanked for presenting the Annual Report of the Governance and Audit Committee 2022-23 to the Full Council at the end of September in her absence. Wishes for a speedy recovery were extended to Luned Fôn Jones (Audit Manager).

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 in delivering statutory duties. In response, it was proposed that the output of the internal audit section item and the complaints item would remain on the list for now.

RESOLVED:

To accept the report

Note: That the complaints item and the output of the internal audit section item will remain on the list for now.

6. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2022/23

The Statement was presented by the Head of the Finance Department. He explained that the statement, although not part of the accounts, was a statutory document which needed to be published with the accounts. In accordance with the Accounts and Audit (Wales) Regulations and the CIPFA Code of Practice, all Local Authorities must ensure that a statement of internal management is in place. It was reported that the Chief Executive and the Council Leader were required to sign the statement, although the Governance and Audit Committee's approval was needed.

Some of the background to the statement was given. The statement which was based on the CIPFA/SOLACE Framework identified seven core principles for good governance and these had been divided further into sub-principles. It was highlighted that the Governance Arrangement Assessment Group, led by the Chief Executive, had considered these principles and sub-principles and had created a Governance Risk Register, which was part of the Council's Corporate Risk Register. Risks were identified in 24 different areas of governance, noting the controls that the Council have in place to mitigate these risks.

It was reported that there were four types of risks and that each risk had departmental ownership; the Group had concluded that there were 0 areas of very high risks, 4 high risk areas, 12 areas of medium risks and 9 low risk areas. It was noted that the high-risk areas were 'Culture', 'Information', 'Health, Safety

and Well-being' and 'Customer Contact'.

Members gave thanks for the report. Reference was made to each risk in turn giving Members an opportunity to enquire about that area. During the ensuing discussion, the following observations were made by members:

- Finance - increasing the risk impact from 3 to 5 was wise, however there was disagreement with changing the probability from 3 to 2 given that 9 out of 10 Departments were overspending. It was added that the comments were acceptable and that management plans were in place, but that reports (such as the revenue position and savings overview) did not reflect the same situation; failure to manage a budget had an impact on many residents and forced the use of reserves.
- In the future more clarification was needed in the comments column - namely, to outline what are the reasons behind the change in assessment e.g., was it a situation, specific matter that had changed or the opinion of officers.
- Customer Contact - that a lack of response and complaints to the service had been evident for years - why then, was this area now being set as a high-risk area?
- How much data work had been considered to assess the risks to ensure that the opinion was sound? Was there a consistency score?
- Was the effect equal amongst the headings? That is, is the same consideration given to external links and internal links? e.g., Natural Resources Wales v Ffordd Gwynedd.
- There was a need to ensure a relationship between customer contact and customer care - if the first contact with the Council was not a successful one then this may reflect further, damaging risks e.g., with partnerships - reputations must be secured, strong relationships maintained and customer satisfaction ensured.
- That exit interviews are called for in the context of workforce planning – the risk score was low given the situation. Concern about long-term sickness and the failure to attract staff to deliver Council services created a significant impact (staff such as teachers, assistants, care staff, waste collection staff).
- A suggestion was made, together with the annual statement, that a mid-year report be submitted to the Committee providing an update of the situation – specifically the 4 high risk areas.

In response to the comments the Head of Finance noted that the scoring process was guided by a combination of perceptions or events and that there was an element of objectivity as well as science behind the process. He reiterated that an engagement score e.g., was re-assessed due to a change in legislation while customer contact was highlighted as high risk due to the need to respond to the number of complaints and to present improvements. It was accepted that there was a tendency to over-think headings and try to fit the performance into a category, but he confirmed that the risks were challenged at service level at the performance challenge meetings and by the Governance Arrangements Assessment Group. He agreed that a failure in the customer contact field could disrupt all Council departments, and therefore that risk needs to be maximised to ensure that the area is properly addressed so that the right response was delivered to the right people within the right time.

In the area of Finance risk, the observation was accepted that the risk ratings did not highlight the Council's actual financial position, but that the risk here was a reflection of the Council's governance in the financial field, and that there was a

separate budgetary risk in the corporate risk register. He reiterated that the Council had robust arrangements to report on the Council's actual financial position and that examples of transparency had recently been highlighted, e.g., in responding and identifying savings for the 2023/24 financial deficit. Reference was made to Birmingham Council where financial governance issues had arisen as they had not identified a job appraisal regime and consequently stated that it could not balance its budget without support.

In response to a comment regarding the loss of staff and the failure to recruit, it was noted that steps had been taken by the Council to restore the situation and that this had improved stability. It was reiterated that a Project Group had been set up to respond to the situation with a focus on carrying out work to make the Council a more attractive place to work. However, it was noted that pockets of services were still experiencing problems and that e.g., overspending in employing agency staff in the care area was creating an impact on other areas of work.

It was outlined that the risk ratings were continually reviewed and that the high-risk areas were areas where long-term plans had been identified to improve the situation.

Meanwhile, Heads of Department will report on the action and ensure the work is going in the right direction. It was agreed that a half-year update would be submitted to the committee and that all comments would be referred to the Governance Arrangements Assessment Group.

RESOLVED:

To accept and approve the statement for the Council Leader and the Chief Executive to sign the statement

Note:

- There was a need to consider service continuity - impact of one field on another
- A suggestion together with the annual statement, that a mid-year report is submitted to the Committee to give an update of the situation.

7. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

A report was submitted by the Cabinet Member for Finance summarising the Council's savings position and asking the committee to identify the relevant situation and risks in respect of the Savings Overview before submission to the Cabinet on 7.11.23.

The Assistant Head of Finance - Accountancy and Pensions explained that in order to close the funding deficit this year, £7.6 million worth of savings had to be implemented during 2023/24, which was a combination of almost one million previously approved, savings for Schools of £1.1 million, £3 million for Council departments and a further £2.4 million in reviewing the Council's capital debt repayment policy.

It was added, as had been consistently reported to the Committee, that there were difficulties in realising savings in some fields (the most prominent being the Department for Adults, Health and Wellbeing and the Waste Field). It was noted that in July 2023, all savings plans were reviewed, and it was assessed which plans were now unattainable. A programme was designed to scrap £2 million

worth of schemes that had significant risks to achieve. Reference was also made to the historic savings schemes for the 2015/16 financial year to 2023/24 and that while some of these schemes had been scrapped, 98%, over £33.7 million of the £34.3 million of savings, had now been realised.

Reference was made to new schemes in the current financial year and that 81% of 2023/24 savings had already been realised with a further 6% to be delivered in a timely manner. It was reiterated that there was a slight delay to the realisation of £700k worth of 2023/24 savings schemes, however the Departments did not foresee a problem to realise these. It was reported that the majority of this amount, which included savings of £539k from schools, was slipping as the schools worked in line with the academic year, and so realisation would slip into the next financial year. The value of savings already approved for 2024/25 onwards was discussed along with further savings and cuts schemes for 2024/25 that were already under consideration. These will be subject to a further report.

In summing up, it was reported that £39.1 million of savings have been realised which was 96% of the required £41 million over the period. It was anticipated that a further 1% would be realised by the end of the financial year, but there would be delays and some risks to delivering the remaining plans.

Gratitude was expressed for the report. The need to focus on the success was noted - that 96% of the Savings had been realised - the tendency was to focus too much on those that had not been realised, which may be more difficult to deliver.

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

- That there was a consistent historical pattern of overspending in the Adults, Health and Well-being Department
- Although there was overspending in ten schemes by the Adults, Health and Well-being Department, there was no clear explanation or reasons for the overspending. Had a Project Manager been appointed? There was a need to ensure that arrangements were tightened, and lessons learned. The Cabinet was urged to question more about the situation
- A suggestion to consider giving external attention to the plans - identify experts to take a closer look at the situation
- That there was a duty to share information about the savings schemes with the Committee – difficult for the Committee to give a realistic view, and the Committee was open to criticism for not contesting more thoroughly. There was a need to consider how the Committee could better fulfil their role.
- Expressed pride that 95.6% of the savings had been realised - the officers needed to be congratulated on this

The Cabinet Member thanked the Committee for their comments and echoed the pride that a substantial sum had been saved. He noted that those Councillors who attend meetings to challenge the performance of the Departments were empowered to challenge the financial situation – this was essential.

RESOLVED

To accept the report and note the situation and relevant risks in the context of the Savings Overview

Note: To recommend to the Cabinet that detailed challenge was required on

unrealised schemes - there was a need to ensure regular review of those schemes.

8. REVENUE BUDGET 2023/24 –END OF AUGUST 2023 REVIEW

A report was submitted by the Cabinet Member for Finance asking the committee to scrutinise the situation and relevant risks in relation to the Council's budgets and its departments. He noted his concern about overspending in the area of learning disability and the lack of income in the waste field. He took the opportunity to thank staff at the Finance Department for their work completing the information and to Committee members for their good scrutiny and collaboration.

The Assistant Head of Finance - Accountancy and Pensions explained that the report detailed the latest review of the Council's revenue budget for 2023/24, and the forecasts for the end of the financial year. The report would be presented to the Cabinet on 7 November 2023.

Following the end of August review, it was noted that the forecasts suggested that nine out of the ten departments would overspend by the end of the year, with significant overspending by the Adults, Health and Well-being Department, Education Department, Highways, Engineering Department and YGC and the Environment Department. It was explained that in recent years there had been regular reporting of risks to achieve some savings schemes, most prominent in the Adults, Health and Well-being Department and in the field of Waste. Following a recent review of the unrealised savings, it was decided to scrap £2 million worth of savings schemes by using the savings risk provision to fund this. Therefore, the report reported on the financial situation following the removal of those savings.

Attention was drawn to the main matters:

- Adults, Health and Well-being Department - the latest forecasts suggested £6.6 million overspend, which was a combination of several factors including several new cases and costly supported accommodation cases in the learning disability service. In the context of community care, it was noted that there were higher staffing costs and rates of non-contact hours and, therefore, had a negative impact on the recovered income. In the context of older people's services, there had been higher fees from private providers. but a reduction in the increasing use of agency staff in various areas that also contributed to the overspending.
- Education Department - there was a trend of increasing pressures on the school taxi and bus budget that was becoming more pronounced this year, with a predicted overspend of £1.5m. It was noted that the transport field had already been undergoing a strategic review to try to control the increase in expenditure, and it was suggested that further work was needed to try and reduce overspending and take advantage of efficiency opportunities.
- Byw'n lach – with Covid having had an impact on the Byw'n lach Company's income, in 2022/23 the Council provided £550k in financial support to Byw'n lach to enable them to maintain their services. It was reported that the financial support would continue this year and the required amount had reduced to £375k.
- Highways, Engineering Department and YGC - an overspend of nearly one million was forecast by the department, with a reduction in the work being commissioned by external agencies negatively impacting the

income of highway services. In the context of the municipal services field there was a combination of reasons, which included additional pressure on street cleaning budgets and cleaning public toilets. It was also noted that there were income losses with ground maintenance and public toilets, but an increase in income from bereavement services which reduced the overspending.

- Environment Department – that the annual trend of overspending in waste collection and recycling continued. This was identified as a combination of additional routes that have resulted in overspending on employment and fleet costs, sickness levels and overtime plus additional costs of vehicle hire.
- Housing and Property – there was a continuing trend of significant and intense pressure on homelessness temporary accommodation services; this year £3m of Council Tax Premium was allocated along with a one-time £1.4m allocation of corporate Covid provision to address the extra costs.
- Corporate - that there were prudent assumptions when setting the 2023/24 budget and a reduction in the numbers who have claimed council tax reduction compared to previous years. The impact of the recent increase in interest rates had led to the receipt of interest worth an additional £1.8 million and the impact of the current treasury management policy had made external lending avoidable. It was added that underspending on other budgets helped ease anticipated additional pressures. (The national increase in pay for Local Government employees was yet to be confirmed).
- It was anticipated that the Council's reserves would have to be used to fund the £5.9 million funding deficit for 2023/24.

The Cabinet Member for Finance's wish for the Committee to scrutinise the situation and risks in relation to the Council's budgets and its departments was noted and to recommended to Cabinet that they approve the reports.

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

- The Cabinet needed to look at the Education Department's specific action plan to deal with transport issues. Whilst accepting that inflation and recent re-tender costs of £833,000 had added to the problem, the issue was historic and required an innovative plan to take it forward.
- Recycling issues needed to be solved
- That a method of charging the Airbnb service to raise income for the Council needed to be considered
- There was a need to consider the risk in the reduction of pupil numbers in Gwynedd schools and this therefore would lead to a reduction in future funding
- There was a need to ensure that the funds from the second homes premium were only used for the homeless service

RESOLVED

- 1. To accept the report and note the situation and relevant risks in the context of the Council's budgets and its departments**
- 2. To agree with the recommendation to the Cabinet:**
 - **To transfer £3,275k of underspend on corporate budgets to the Council's Financial Strategy Reserve Fund**
 - **That work had already been commissioned by the Chief Executive to gain a better understanding of exceptional**

overspending by the Adults, Health and Well-being Department, setting out a clear programme in response to the situation

Note: there was significant overspending by the Adults, Health and Well-being Department, Education Department, Highways, Engineering and YGC Department and the Environment Department.

9. CAPITAL PROGRAMME 2023/24 –END OF AUGUST 2023 REVIEW

A report was submitted by the Cabinet Member for Finance and he explained that the main purpose of the report was to present the capital programme (end of August 2023 position) and approve the relevant funding sources. He reiterated that the report was positive and that the additional grants were good news.

Reference was made to a Department-by-Department analysis of the £178.6 million capital programme for the 3 years 2023/24 - 2025/26 together with the sources available to fund the net increase which was approximately £78.8 million since the original budget.

The Assistant Head of Finance - Accounting and Pensions added,

- that the Council had firm plans in place to invest approximately £107.3 million in 2023/24 on capital schemes, with £42.8 million (40%) funded by attracting specific grants.
- that the impact of recent financial challenges continued on the capital programme, with only 11% of the budget spent up to the end of August this year, compared with 11% over the same period last year and 16% two years ago.
- that a further £12.5 million of proposed expenditure had been re-profiled from 2023/24 to 2024/25 and 2025/26 with the main plans including:
 - £5.7 million - Schools Schemes (Sustainable Learning Communities and Others)
 - £2.8 million in Carbon Management and Solar Panels Schemes
 - £1.5 million - Penygroes Health and Care Hub Scheme
 - £1.4 million Residential Organisations, Day Care and others in the Adults field
 - £0.9 million Flood Prevention Plans

Attention was drawn to the list of additional grants that the Council had managed to attract which included the Shared Prosperity Fund Grant from the UK Government to be distributed across the counties of north Wales. Shared Prosperity Fund Grant from the UK Government to be distributed across the counties of north Wales; Grants from the Local Transport Fund (LTF) and Active Travel Fund (ATF) from the Welsh Government. Sustainable Learning Communities Programme - Schools Community Use 2023-2025.

The members gave thanks for the report and to the officers for finding additional grants.

In response to a comment regarding significant increases in construction costs resulting in now-approved projects becoming more costly, it was noted that there had been a purposeful delay in projects while prices / inflation were high. It was reiterated that this was reflected in the slippages.

DECISION:

To accept the report and note the situation and risks in the context of the Council's capital programme

10. QUARTERLY TREASURY OUTTURN REPORT

The Investment Manager presented a report on the actual results of the Council's treasury management during 2023/24 to date, against the Treasury Management Strategy for 2023/24 as approved by the Full Council in March 2023. It was noted that the strategy required the Investment Manager to report on the indicators on a quarterly basis – this was the first report of its kind.

It was reported that the year had been very busy and prosperous for the Council's treasury management activity as the activity remained within the limits imposed. It was confirmed that there was no failure to pay back by the institutions the Council had invested money with and that interest rates had been high and generated substantial interest income.

On 30 June 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 Ambition Board and Pension Fund funding.

In the context of investments, it was reported that lending activity had been very quiet in the period with only loan repayments taking place. It was reiterated that the Council had continued to invest with Banks and Building Societies, Money Market Funds, Pooled Funds, Local Authorities, and the Debt Management Office which was now consistent with the type of investments the Fund had operated for a number of years.

Reference was made to the Liabilities Benchmark, and it was noted that it was an important tool to consider whether the Council is likely to be a long-term lender or long-term investor in the future, and therefore shaped the strategic focus and honed decisions. It was clarified that the Council expected to continue lending above its liability benchmark up to 2025 and this was because the Council held reserves with cash flow to date, having been lower than the assumptions made when the money was borrowed.

When looking to the future, it was noted that, based on current projections, borrowing was not necessary in the long term, but may be necessary in the short term to near future. It was noted that all activities had fully complied with the CIPFA code of practice apart from a one indicator (Interest Rate Disclosure). It was explained that this indicator was set in the low interest conditions of March 2023 and therefore it was reasonable that the amounts were so different.

Gratitude was expressed for the report.

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

- Liabilities Benchmark figure / Column 31.3.24 (Objective) / Less: Balance Sheet Resources needed to be amended from 177.1 to 117.1.
- The Council's situation would have been much worse had it not been for the reserves

In response to a question regarding the 1% Interest Rate Disclosure indicator,

and if it was the Council who set the 1%, it was agreed that a better indicator needed to be looked at, however at the moment they had to report on the current indicator.

RESOLVED: To accept the report for information.

11. AUDIT WALES REPORTS

Update on the reports recently published by Audit Wales 'Review of Scrutiny Effectiveness - Cyngor Gwynedd'.

Alan Hughes and Yvonne Thomas (Audit Wales), Dewi Wyn Jones (Council Business Support Service Manager) and Vera Jones (Democracy and Language Manager) were welcomed to the meeting.

It was highlighted that the report was encouraging. The findings were discussed, and reference was made to the six recommendations proposed by Audit Wales. In response from the Council, while accepting that the service was going in the right direction, there was scope for improvement and to hone the existing arrangements.

Thanks were expressed for the report.

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

- That members of the Governance and Audit Committee were previously invited to attend Scrutiny workshops – there was a need to organise how the Governance and Audit Committee could input into the Scrutiny regime.
- That the report was optimistic. Scrutiny Committees 'offered opinions,' with no effect to be seen on decisions. That there was a sense that the aim was to present information - members questioned where their power to influence decisions lay.
- Was there any value in conducting an exercise of not holding committees for a year as a means of seeing whether there was a difference?
- There was a need to secure an action plan to give assurance that scrutiny gives power and places pressure on decision-making
- That the Governance and Audit Committee had re-established the improvement working group to deal with areas of concern - would there be a right to scrutinise this?
- That better collaboration was needed between the Cabinet and Scrutiny Committees
- That better collaboration was needed between the Scrutiny Committees and Audit Wales - in the past meetings were held jointly

In response to the comments, the Audit Wales Officer noted that the scrutiny process ideally offered quality outputs and clear recommendations, but Cyngor Gwynedd's scrutiny records were not in the form of recommendations, i.e. the output was not visible. It was accepted that there were some frustrations, but it was hoped to deliver quality outputs and establish a valuable scrutiny process that would dovetail into the Council's programme of work. This was a good opportunity to hone arrangements and highlight scrutiny.

The Democracy and Language Services Manager reiterated that there was

frustration with the Council's regime and the scrutiny relationship with the Cabinet, and while accepting that relevant Cabinet Members were invited to the scrutiny meetings, the relationship needed to be strengthened and the recommendations sharpened. It was clarified that there were three Scrutiny Committees (Education and Economy, Communities and Care) with 18 elected members (+ co-opted members on the Education and Economy Scrutiny Committee)

The Head of Finance added that the role of the Governance and Audit Committee was to scrutinise the Council's risks and governance arrangements and that the Committee's power was not subordinate to the Scrutiny Committees which scrutinised the Council's specific areas and policies. He noted that Cyngor Gwynedd was following the requirements of the Scrutiny Regulations Act.

RESOLVED to accept the report

Note: Need to consider the procedure for the work of the Governance and Audit Committee to inform the Scrutiny system.

12. INTERNAL AUDIT OUTPUT

Submitted, for information, the report of the Audit Manager updating the Committee on the internal audit work for the period from 1 April 2023 up to 30 September 2023. It was highlighted that eight of the 2023/24 Action Plan audits had been completed with five showing a high assurance level and three showing an adequate assurance level. The Head of Finance noted that the Department's staffing levels were currently low due to one member of staff being on long-term sickness, one on secondment and another on maternity leave. Bleddyn Rhys and Eva Williams were commended for leading the service during this time.

Gratitude was expressed for the report.

In response to a comment regarding the submission of an update on the 2023/24 audit plan it was noted that it was difficult to plan ahead with current staffing levels within the Unit, but that it was intended for a modified Plan to be submitted to the December 2023 meeting. The suggestion to 'park' some audits for a period of time and prioritise those at high risk was accepted, but it was highlighted that this was already being implemented. It was also noted that there was an intention to work towards a more flexible plan for the future rather than setting a plan with a budget of a specific time. This would create a process of completing work to the best standard rather than setting a specific 'plan' for the work. It was reiterated that a number of councils were now moving to operate without a specific plan.

In response to the comments, the Chair noted that there was no issue with a high risk and that this was good news. The Head of Finance reiterated his thanks to Bleddyn Rhys and Eva Williams for leading the service during the audit manager's long-term sickness.

RESOLVED

- **To accept the report on the work of Internal Audit for the period 1 April 2023 to 30 September 2023**
- **To support the actions that had already been agreed with the relevant services**

The meeting commenced at 10.00 am and concluded at 1.00 pm

CHAIRMAN