GOVERNANCE AND AUDIT COMMITTEE 9/07/26

Present:

Vice-chair: Dewi Lewis

Councillors: Menna Baines, Wendy Cleaver, Elwyn Jones, Geraint Parry, Arwyn Herald Roberts, Richard Glyn Roberts, Ioan Thomas and Elfed Wyn ap Elwyn

Lay Members: Peter Barnes, Carys Edwards, Eifion Jones, and Paul Millar Mills

Officers: Dewi Morgan (Head of Finance), Ffion Madog Evans (Assistant Head of Finance - Accounting and Pensions), David Lloyd Williams (Group Accountant), Delyth Jones-Thomas (Investment Manager), and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Item 7: Cllr Nia Jeffreys (Council Leader), Dewi Wyn Jones (Council's Business Support Service Manager) and Sioned Mai Jones (Leadership Team Executive Officer)

Item 9: Sioned Owen (Audit Wales)

Item 11: Dylan Owen (Corporate Director – Social Services)

Item 12: Dewi Wyn Jones (Council's Business Support Service Manager) and Mari Wynne Jones (Head of Adults, Health and Well-being Department)

Item 13: Vera Jones (Democracy and Language Services Manager)

1. APOLOGIES

Apologies were received from the Chair Rhys Parry and Councillors Edgar Wyn Owen, Huw Rowlands, Meryl Roberts and Angela Russell.

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 21 May 2026 as a true record**.**

5. IMPLEMENTATION OF COMMITTEE DECISIONS

A report was presented 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 being addressed. It was noted that the report provided an opportunity for Members to consider the decision made with the intention of removing the item from the Action Sheet once the action had been completed. It was highlighted that the Committee's request at their last meeting to change the wording of the report to 'has been implemented' rather than 'deleted' had been implemented to highlight a more encouraging position.

Reference was made to the Committee's concern about the insufficient capacity of the Internal Audit Unit to meet the Council's expectations and the request made for a report by the Head of Finance to highlight the situation and risks. In response, the Head of Finance noted that comparative data on the Internal Audit Unit had now been received and that the situation would be considered in September. He took the opportunity to announce that the Unit had successfully appointed an apprentice to start in July for a period of two years, and that Gwawr Owen, a Senior Auditor in the Unit, had qualified as a full CIPFA accountant.

The members appreciated the update and congratulated the Unit on recruiting an apprentice and Gwawr Owen on her success.

RESOLVED

- **To accept the contents of the report.**

Note: Capital bids (the plan to extend Ysgol y Faenol car park) – full information to be submitted at the September 2026 meeting.

6. CYNGOR GWYNEDD'S ANNUAL GOVERNANCE STATEMENT FOR 2025/26

The Statement was presented by the Head of Finance. 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 was in place and that the management system was reviewed at least once a year. It was reported that the Chief Executive and the Council Leader were required to sign the statement, although the Audit and Governance Committee's approval was needed.

Some background was given to the statement which was based on the CIPFA / SOLACE Framework published in 2016 and identified 7 core principles for good governance which were then further broken down 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 formed part of the Council's Corporate Risk Register. Risks had been identified in 24 different areas of governance, identifying the controls that the Council had 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 risk, 7 high risk areas, 8 areas of medium risk and 9 low risk areas. Despite recognising that the current risk score remained higher than the Council was willing to accept, further actions had been identified to minimise these risks.

In terms of adjustments, it was expressed that the Engagement risk likelihood score had increased from 3 to 4 as the preparation and conduct of consultations and engagement exercises remained very challenging.

The members expressed their thanks for the report.

During the ensuing discussion the following observations and responses were noted:

- That the Committee accepted the statement late in the process. Should the Chair attend the Governance Arrangements Assessment Group?

  The Head of Finance noted that there was room to improve the process and for the Committee to be updated during the year. He added that work was being done to strengthen the risk arrangements and that he accepted the observation to invite the Chair of the Committee to the Governance Arrangements Assessment Group when relevant.

- A suggestion that the lawfulness score should be reassessed due to the risk of 'ignoring the rule of law, which made the Council vulnerable to challenges from the courts' in light of a recent court case, namely the Article 4 Direction. Also, a request to refer to the Article 4 Direction in the statement.
- That the order of the decision which led to the loss of money in the case of the Article 4 Direction needed to be traced. Suggestion of institutional discrepancy in the willingness to take legal proceedings, e.g., officers highlighting to the Planning Committee the risk of going to an appeal and incurring costs if a decision was contrary to policy.
- Request for the Monitoring Officer to attend the meetings.

  The Head of Finance noted that the risk was set based on whether the Council was deliberately ignoring the law and in the case of the Article 4 Direction the Council had no intention of being intentionally misleading. Accepted the observation to add a clause in the statement.

- Suggestion that the Workforce Planning score should be reassessed in future due to the risk to the care sector given the constraints of recruiting care workers from overseas.

  The Head of Finance noted that the Council had a long-term project in place for future workforce planning and while accepting that recruiting and retaining care staff was a significant challenge, the score applied to the Council as a whole.

- Finance - suggestion to consider breaking down the risks of the Finance area into two separate categories, 'Overspending due to underfunding or lack of financial control' to: a) Overspending due to under-funding b) lack of financial control'.

  The Head of Finance noted that he accepted the observation that there were two different categories here and that a discussion had taken place with the Cabinet about where to draw the line – that increasing pressures on services were leading to overspending.

- Agreed that the engagement likelihood risk needed to be increased with a suggestion to gather public opinion on Council tax increases in future.

- Reference to an internal review to improve Council Tax collection arrangements -

although a report had been received in response to Cyngor Gwynedd's ranking at the bottom of the Welsh table on Council tax collection rates, an update on performance was needed.

The Head of Finance noted that although there was an improvement to the arrangements, Gwynedd had not moved up in the performance table. He added that Audit Wales was also looking into this.

- While noting that the Apprenticeship Scheme had given 90 apprentices an opportunity since 2019 this was less than 1% of the workforce. Did the Council have any plans to improve this? - it could boost future employments. Needed information about the success of the scheme; Were apprentices being employed after their traineeship? Assurance was needed that the scheme contributed to future workforce plans.

  The Head of Finance noted that the scheme was dependent on how it was funded and maximising the Apprenticeship Levy. He added that he was happy with the Future Planning risk score but accepted that it was a matter for the Committee to review in terms of good governance.

RESOLVED:
- **To accept an adjustment to an increase in the likelihood score (from 3 to 4) in the Engagement risk.**
- **To accept the (draft) Annual Governance Statement.**
- **To approve the Statement and recommend that it be signed by the Council Leader and Chief Executive.**

ıte:
- Include in the work programme that the Chair of the Governance and Audit Committee be invited to attend the Governance Arrangements Assessment Group where relevant.
- Consider re-scoring the Lawfulness area following a recent court case. A need to add a clause to the Article 4 Direction case in the statement.
- To consider breaking down the risks of the Finance area into two separate categories, 'Overspending due to underfunding or lack of financial control' to: a) Overspending due to under-funding b) lack of financial control'.
- Reference to an internal review to improve Council Tax collection arrangements – a request for the Committee to be updated.
- Apprenticeship Scheme - a request for a report that would include information on the success of the scheme. Assurance was needed that the scheme contributed to future workforce plans.
- Request for the Monitoring Officer to attend the meetings.

7. CYNGOR GWYNEDD SELF-ASSESSMENT 2025/26

Cllr Nia Jeffreys (Leader of the Council), and Dewi Jones (Council Business Support Service Manager) were welcomed to the meeting.

A draft was presented of the main matters to be addressed within Cyngor Gwynedd's Self-Assessment 2025/26 for the Committee's consideration and asking them to offer any comments and recommendations along with any additional matters that should be included in the report. It was reported that the Self-Assessment was a statutory requirement under the Local Government and Elections (Wales) Act 2021 which also stated that the Committee needed to be involved in the self-assessment process.

Attention was drawn to the fact that the Council already collected a lot of evidence and published documents containing the type of information expected to be included within the self-assessment – documents such as (but not limited to) annual reports on Performance, Equality, Director of Social Services and Annual Statement of Accounts. It was also noted that there was a close link between the Self-Assessment and the Annual Governance Statement and as a result an attempt had been made to keep the self-assessment relatively concise to try to avoid duplication of work/information.

It was reported that, in March 2026, the Council received a Performance Assessment from a Panel made up of independent members. It was highlighted that a Panel Assessment needed to be carried out at least once within an electoral cycle and that it related to the duty to carry out annual self-assessments of performance with those documents forming the evidence base of the assessment. It was noted that the Council was working through the response received from the Panel and that the intention was to submit an action plan in response to those recommendations to the Committee in September/October.

It was highlighted that presenting the main issues at the beginning of the process was in response to the Committee's desire to have the opportunity to provide input earlier into the content of the self-assessment report. The Committee would also be able to provide observations/recommendations to the final draft report in September/October before it was submitted to the Cabinet in October/November and to the Full Council in December 2026.

Members expressed their thanks for the report.

During the ensuing discussion, the following observations were noted:

- That the content of the self-assessment was good, but there was room for improvement.
- A need to insert a reference to legal challenges to which the Council was exposed.
- Education Transport Policy 'being developed': a risk that the delay would have an impact on pupil attendance along with the practical shortcomings of school bus route problems.
- The reference to the Visitor Levy highlighted that the decision had been made despite the consultation period not having ended.
- Those statements that were outdated needed to be verified, e.g. the Language Policy had been approved and was not 'out for consultation'.
- It needed to be highlighted that funding for the Pupil Immersion Units was challenging – lobbying was needed to ensure that the Units were fully funded by the Government.
- Infrastructure in the rural areas of Dwyfor and Meirionnydd - note the challenge of trying to attract funding to improve the infrastructure.
- Introducing a council tax premium – noting the challenge of coping with the extra work of collecting and implementing the premium.
- Improving Council Tax collection arrangements – the challenge to improve performance compared to other Councils.
- A need to evaluate educational achievements in literacy and numeracy. What is the challenge that has been set to achieve this?
- Apprenticeship Scheme - assurance was needed that the scheme contributed to future workforce plans.

RESOLVED:

- **To accept a draft report of the 2025/26 CYNGOR GWYNEDD SELF-ASSESSMENT**

8. STATEMENT OF ACCOUNTS 2025/26

The Assistant Head of Finance - Accounting and Pensions explained that the accounts had been completed and released for audit by Audit Wales, the Council's external auditors, since the end of June. It was noted that the statutory timescale for the audit of the accounts was the end of September, so it was Audit Wales's intention to complete the audits so that the final accounts could be approved at the Committee on 29 September 2026.

The contents of the report were described, explaining that five sets of accounts for 2025/26, were being completed.

1. Cyngor Gwynedd
2. Gwynedd Pension Fund
3. GwE (substantially sized joint committee and therefore Full Statements had been prepared)
4. Gwynedd Harbours (which had already been submitted to the 21 May 2026 Committee)
5. North Wales Corporate Joint Committee

Members were reminded that the year-end financial position for 2025/26 had been submitted to the Committee on 21 May 2026 in the form of a simple out-turn, but that the Statement of Accounts, which was for external and governance purposes, had to be completed in the CIPFA standard format. It was now a lengthy and technically complex document.

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 of the elements:

- Summary of capital expenditure. There was expenditure of £84 million during the year compared to £85 million in the previous year.
- The main financial statements included an 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 £14.5 million at the end of March 2026 – up £6.6 million from £7.9 million at the end of March 2025 due to the Statutory Finance Officer's opinion that the Council's General Balances needed to be increased so that they represented 2.5% of the authority's gross revenue expenditure, transferring an amount from the Financial Strategy Fund.
- That Reserves highlighted an increase in the £111 million funds at the end of March 2025 to £112 million by the end of March 2026.
- School Balances where there was a steady reduction in school balances which had fallen from £8.5 million at the end of March 2024, to £8.3 million by the end of March 2025, to £7.1 million by the end of March 2026, which now highlighted a picture that was nearer to pre-Covid balance levels. It was explained that this was the general picture in Wales as school balances had been high due to a number of grants provided in light of Covid.
- Earmarked Reserves including an analysis of the £112 million reserves - capital reserves, the Council Plan/Transformation 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 a breakdown by category of land and buildings, vehicles, plant and equipment, etc. Capital Commitments included schemes such as the work on Ysgol Ein Harglwyddes, Bangor, Canolfan Dolfeurig and capital works on a development at Coed Mawr Bangor and on Parc Eryri Industrial/ Business Units in Penrhyndeudraeth.
- Note 22 Provisions relating to Waste Sites and insurance claims, Note 30 relating to Officers' Remuneration, and Note 32 details of Grant Income received (over £154 million in 2025/26 compared to £207 million in 2024/25, highlighting the Levelling Up Fund, which was £82 million in 2024/25, but reduced to £37 million in 2025/26, which had had a significant impact on the grant figures and on the figures in the accounts).
- Note 36 - details of Exit Packages for the last two years.
- Note 39 - Contingent Liabilities such as landfill sites and insurance with reference to a liability in education.
- Note 43 - details of Cyngor Gwynedd's participation in Joint Operations and Joint Committees.
- Appendix B - The Tithe Fund and the FMG Morgan Trust Fund.

Members expressed their thanks for the report and the Department for completing the accounts, albeit complex, in such a timely and tidy manner.

In response to a question about the meaning of the term 'unusable reserves' (Note 23) and what examples could be presented, it was noted that these reserves could not be used to fund the Council's expenditure, but to maintain and manage technical accounting processes required to comply with the requirements of CIPFA.

In response to a question regarding an approved expenditure commitment of £2 million for the upgrade of the Council's mandates due to a significant lack of investment in the past and why the figure had not been recognised in the accounts, it was noted that the amount had been included in Note 15 – Property, Plant and Equipment due to the need to follow the standard format.

In response to a question about the increase in capital reserves from £26 million to £36 million and whether this was a normal situation, it was noted that substantial grants had been received including to complete school maintenance which as a result highlighted a slippage in Council expenditure and therefore an increase in the relevant fund. It was added that the Housing and Property Department had also received significant grants with the same impact on their funds.

In response to a question as to why the Financial Strategy Support Fund had reduced, the Head of Finance stated that this was because £6.6 million had been transferred to the general reserves because he considered that, as a Statutory Finance Officer, it was necessary to increase the Council's General Balances to represent 2.5% of the authority's gross revenue expenditure.

RESOLVED:

- **To accept and note the Council's Statement of Accounts (subject to audit).**

9. THE GWE JOINT COMMITTEE'S ACCOUNTS 2025/26 FOR THE PERIOD OF TWO MONTHS TO 31 MAY 2025, OUT-TURN REPORT, STATEMENT OF ACCOUNTS SUBJECT TO AUDIT AND THE GOVERNANCE STATEMENT

The Assistant Head of Finance Department - Accounting and Pensions explained that Cyngor Gwynedd, as the host Council, was responsible for carrying out the accounting responsibilities and reporting on the financial matters of the GwE Joint Committee. GwE ended on 31 May 2025, and as the Joint Committee did not meet after this date, the decision made was to submit the accounts for the two-month period 2025/26 to the Governance and Audit Committee.

It was reported that Audit Wales had received the accounts since the beginning of April and the accounts had been subject to audit since then. Like the Gwynedd accounts, Audit Wales intended to complete the audit before the end of September 2026 so that they could receive final approval at the Committee meeting on 29 September 2026.

Reference was made to the out-turn position, which was a breakdown of the final position. It was noted that there had been expenditure of £1.1 million during the two months and it was noted that the relevant contributions to fund the costs had been collected from North Wales Councils and other relevant sources.

In the context of the Statement of Accounts, it was highlighted that the Accounts and Audit Regulations required each Joint Committee to prepare annual accounts, and as GwE's turnover in a normal year had exceeded £2.5 million, a statement of accounts had to be prepared in accordance with the CIPFA code.

It was also noted that as part of the GwE governance process, at the last meeting of the GwE Joint Committee on 21 May 2025, an Annual Governance Statement for 2024/25 was submitted and received, ten days before the GwE Joint Committee was due to end. There was no change in the operation of GwE during the last two months of its existence, and therefore a request was made to the Committee for approval to extend the period of the 2024/25 Annual Governance Statement for the first two months of the 2025/26 financial year up to 31 May 2025, in order to comply with statutory requirements**.**

In line with following GwE's termination arrangements on 31 May from 2025, and to comply with the regulations as an entity ceases to be an active member of the pension fund, it was clarified that the Pension Fund was required to carry out a termination valuation (assisted by the Fund's Actuary) and determine whether a related severance payment applied. The value of the surplus at GwE's termination date was identified as almost £9.4 million. With the value of the employer's contributions at 55% of the overall surplus, equivalent to £5.1 million, this amount was distributed to the authorities based on their contributions to the GwE budget since it was established. Reference was made to the amounts that had been distributed at the end of the financial year to North Wales Councils with a figure for Cyngor Gwynedd at £908 thousand.

The members expressed their thanks for the report.

RESOLVED:

- **To note and accept the GwE Revenue Income and Expenditure Account 2025/26 in the form of an “out-turn” report for the period of two months to 31 May 2025.**
- **To note and accept the GwE Statement of Accounts 2025/26 (subject to audit) for the two months to 31 May 2025.**
- **To approve to extend the period of the Annual Governance Statement for 2024/25 to cover the first two months of the 2025/26 financial year to 31 May 2025, to comply with statutory requirements.**

10. TREASURY MANAGEMENT 2025/26

A report was presented by the Investment Manager reporting that the Treasury Management Strategy for the year 2025/26 had been approved at the Full Council meeting in March 2025. It was explained that the report before the committee summarised the activities of the year ending 31 March 2026.

It was reported that the year had been a very busy one for the Council's treasury management activity as the activity had remained within the constraints originally set and £1.7m of interest was received on investments which was slightly higher than the £1.6m noted in the budget.

On 31 March 2026, the Council was in a very strong position with net investments due to the high level of investments and operational capital. This included the Pension Fund's money, and the level had decreased due to the transfer of funds from the North Wales Corporate Joint Committee at the beginning of the financial year.

Reference was made to the borrowing activity noting the decision to repay a historic £16.2m loan from the bank due to favourable terms. It was noted that the strategy had enabled the reduction of net borrowing costs (despite the lost investment income) and the reduction of the Council's overall treasury risk.

It was explained that the Council, as was consistent with the type of investments made for a number of years now continued to invest money in banks and building associations, local authorities, money market funds, debt management office and pooled funds. It was added that the pooled funds were medium/long term investments that brought a very good level of income, with the Council's funding levels being healthy.

It was noted that all activities complied with the CIPFA code of practice, and the Council's treasury management, apart from two occasions within investment constraints due to historical limits having been followed for a very short period – measures were now in place to ensure that this did not happen again. It was added that treasury management indicators were fully compliant with them, which was good news, and showed sound control over the money.

Members expressed their thanks for the report and for the assurance that there was sound control over the money.

In response to a question about the relationship between Treasury Management and increasing pressures on the Council's service costs and the sustainability of the situation, it was noted that an annual presentation by Arlingclose looked at the capital plans so that it was possible to keep within internal resources (although there was a need to borrow at the end of 2027 for a short period). It was added that consideration was given as to how to finance revenue and capital budgets before spending.

RESOLVED

- **To accept the report and note the information.**

11. ESTYN AND CARE INSPECTORATE WALES REPORT

Following a Joint Audit by Care Inspectorate Wales and Estyn in November 2025, and a report highlighting the findings of that audit to the Governance and Audit Committee in February 2026, an update on progress against the four recommendations was presented by the Corporate Director of Social Services. Members were reminded that several of the recommendations were already being addressed through the Action Plan developed in response to the Our Bravery Brought Justice report.

Members expressed thanks for the report, and it was pleasing to see that the improvements were going in the right direction.

Observations arising from the ensuing discussion:

- An update was needed on disciplinary matters. While accepting that the matter was confidential, the public needed to have the information.
- Concern about the time it was taking to clear up the matter. A need to be more transparent and open.
- A clear picture was needed of the impact and uncertainty on those members of staff who had taken on additional burdens.

In response to the comments, the Corporate Director noted that the Response Board, which was leading on the Wider Response Plan, would be meeting in September 2026 where a wider update and response was expected. It was noted that investigations were ongoing and that the Council was following a specific procedure to deal with the matter.

RESOLVED
- **To accept the report and note the information.**
- **To welcome that the improvements were going in the right direction.**

Note:
That the Committee received an update on the work of the response plan to Our Bravery Brought Justice; to include updates on disciplinary matters and the additional impact on staff because of the uncertainty surrounding this issue.

12. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS

A report was presented by the Council's Business Support Service Manager highlighting the need for the Committee to be satisfied that appropriate arrangements were in place to ensure that improvement proposals arising from external audit reports were realised; that national and local external audit reports for Gwynedd needed to be considered, along with the recommendations, implications for governance, risk management or management. Members were reminded that they had made a decision at the February 2025 meeting to amend the reporting procedure on the recommendations and improvement proposals so that the assurance to respond earlier to the recommendations could be strengthened by submitting the Council's response to the Committee and then having 12 months to act before returning to the Committee to report on the action.

The list of audits carried out by external auditors between 2025 and 2026 was highlighted along with their proposals for improvement, the actions identified in the organisational response and an expected completion date.

RESOLVED
- **To accept the report and note the information.**
- **That the actions need to be monitored and make sure the action is moving in the right direction.**

13. NORTH WALES CORPORATE JOINT COMMITTEE - NOMINATION OF A LAY MEMBER FOR THE GOVERNANCE AND AUDIT SUB COMMITTEE

A report was presented by the Democracy and Language Manager stating that, in accordance with the provisions of the Local Government and Elections (Wales) Act 2021 ('the 2021 Act') the North Wales Corporate Joint Committee 2021 needed to establish its own Audit Governance Committee. In December 2025, the Governance Sub-Committee was established with the membership to consist of six Councillors (one from each of the Constituent Councils) and three lay members.

It was reiterated that it was the wish of the Governance and Audit Sub-committee to appoint members of the current Governance and Audit Committees of the Constituent Councils and for each of the Constituent Councils to nominate a Councillor from its own Governance and Audit Committee as its principal nominee along with a second Councillor to act as a deputy (to ensure a quorum when the principal nominee was unavailable). Those Constituent Councils were required, if they wished, to also nominate a lay member for consideration to serve on the North Wales Corporate Joint Committee's Governance and Audit Sub-committee.

It was explained that in recent months, a seat had become vacant on the Sub-committee and that a lay member needed to be nominated to serve on it. In accordance with the procedure, nominations would be put forward by the constituent councils and if more nominations than required were proposed, the North Wales Corporate Joint Committee would select a lay member considering the role description, person specification and other background information.

The members appreciated the report.

In response to a request for the Corporate Joint Committee to consider a delegation arrangement for Lay Members as arranged for the Elected Members, the Democracy and Language Manager stated that there was no arrangement in place at this time, but that she would refer the suggestion to the Joint Committee for consideration.

RESOLVED

- **To nominate Dewi Lewis as a Lay Member for the Governance and Audit Sub-committee of the North Wales Corporate Joint Committee.**

Note:
Request that the Corporate Joint Committee consider a delegation arrangement for Lay Members as has been arranged for Elected Members.

14. THE COMMITTEE'S FORWARD PROGRAMME

A forward programme of items for the Committee meetings was presented up to July 2027.

RESOLVED:

To accept the Work Programme for July 2026 - July 2027.

The meeting commenced at 10.00 am and concluded at 11.55 am

CHAIRMAN