
GOVERNANCE AND AUDIT COMMITTEE 13-10-2022

Present:

Councillors: Menna Baines, Paul Rowlinson, Jina Gwyrfai, Elfed Wyn ap Elwyn, Angela Russell, Richard Glyn Roberts and Rob Triggs

Lay Members:

Sharon Warnes (Chair), Hywel Eifion Jones, Clare Hitchcock and Rhys Parry

Officers:

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Caren Rees Jones (Group Accountant - Capital and Management) and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)
Iwan Evans (Head of Legal Services)
Vera Jones (Democracy and Language Services Manager)

1. APOLOGIES

Apologies had been received from Councillors John Brynmor Hughes, Medwyn Hughes, Huw Rowlands and Meryl Roberts

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note.

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 8 September 2022, as a true record.

In response to the comment submitted at the previous meeting regarding including a standing item on the agenda of every committee meeting, providing an update on matters raised for Members as well as implementing the decision, the Monitoring Officer noted that there was no legal requirement to have matters arising as a statutory item on the agenda. He reiterated that he would discuss with the Head of Finance how to address the committee's wish to receive updates on decisions and it was suggested that a short report would be acceptable, instead of an open item.

5. LOCAL GOVERNMENT AND ELECTIONS (Wales) ACT 2021

- a) A report was submitted by the Head of Legal Services (Monitoring Officer) noting, following Royal Assent, that the provisions of the Local Government and Elections

(Wales) Act 2021 had now come into force and although some elements of the Statutory Guidance are to be published, it will not be expected for these to divert significantly from the drafts consulted upon. In response to the requirements of the Act, reference was made to the work programme that had already been set within the Council's Corporate Risk Register with the Governance and Audit Committee keeping an overview and assurance on the actions required to act upon the provisions.

Reference was made to three work fields, the Public Participation Strategy, the Petitions Scheme and Constitution Guidelines, which need to be moved on by conducting a consultation process.

Thanks were expressed for the report.

- b) In response to a question regarding the Council's right to choose a Majority Voting or Single Transferable Vote (STV) procedure, and considering that Gwynedd, in the 2022 election, had the highest number of Councillors elected unopposed, the Monitoring Officer noted that this was an opportunity for Gwynedd to decide how to respond to the choice. He reiterated that adapting the current process would include a detailed review of the situation, that would likely include a review of boundaries, substantial procedural adaptation and consultation as statutory elements. The choice before members was to consider commencing the process or not - there would be a need to come to an opinion on how to deal with the option.

In response to a supplementary question, from the response of other Authorities to the matter, he expressed that other Authorities were in a similar position of considering opening discussions.

In response to the question on appointing Lay Members, it was expressed that the process was now a continuous one. It was accepted that there were two vacant seats on the Committee and in response, it was noted that despite the second advertisement, that no interest had been shown. It was reiterated that the posts would remain open and the closing date would be extended and the Members were encouraged, if they knew of anyone who was interested, to refer the name to the Head of Finance.

In response to a question regarding the features of the Participation Strategy, it was noted that there now was a statutory duty to encourage participation with decisions that had been made and that this was being implemented by sharing information on the website, such as decision notices and forward work programmes. The aim was to create a procedure that addressed the duty, without being a burdensome system.

In response to an observation about the consultation process, and that this was to be welcomed, a Member highlighted that there was a need to avoid undermining the democratic process. He noted that Members had been elected to represent the population and he expressed concern that the procedures could overtake the democratic process. In response to the comment, the Monitoring Officer noted that the consultation process should support the Democratic process - the role of Members was to take responsibility for functions and so the consultative role should be supportive of these considerations.

- c) It was proposed and seconded to accept the report

RESOLVED:

- 1. To accept the report**
- 2. To accept the progress on the Work Programme**

3. Request for a further update to Committee in February 2023

6. CAPITAL PROGRAMME 2022/23 - END OF YEAR REVIEW (POSITION AS AT 31 AUGUST 2022)

- a) Submitted - a report at the request of the Cabinet Member for Finance, Councillor Ioan Thomas. The main purpose of the report was to present the capital programme (position as at the end of August 2022), as well as approve the relevant funding sources. Contrary to the usual procedure, the Committee was asked to scrutinise the information before it was submitted for Cabinet approval on 25 October 2022.

Reference was made to an analysis per Department of the £136.3 million capital programme for the 3 years from 2022/23 - 2024/25, as well as the sources available to fund the net increase which are approximately £10.1 million since the original budget.

The Senior Finance Manager reiterated,

- that the Council had definitive plans in place to invest around £79.8 million this year, with £21.1 million (namely 27%) of this funded via specific grants.
- that the impact of recent financial challenges continued on the capital programme and that only 11% of the budget had been spent up to the end of August 2022, compared with over 16% for the same period in 2021 and 13% in 2020.
- that £12.1m of proposed expenditure had been re-profiled from 2022/23 to 2023/24 and 2024/25 with the main schemes including, £5.1 million for Schools Schemes - Sustainable Learning Communities and Others, £3.0 million for Flood Prevention Schemes and £1.6 million for the Penygroes Health and Care Hub.

Attention was drawn to the list of additional grants that the Council had managed to attract since the previous period, which included the Free School Meals Capital Grant, Sustainable Learning Communities Grant - Schools Community Use, Road Safety Capital Grant from the Welsh Government and the Wales Voluntary Action Council (WVAC) Grant towards rural schemes.

Gratitude was expressed for the concise and clear report

- b) In response to a question regarding an increase in borrowing, it was noted that this was the first review since the end of March 2022, and that an increase existed as a result of slippages, with a decision awaited regarding the re-profiling.

In response to a question about the harmful impact on the delay of the Flood Prevention Schemes, it was noted that a number of discussions were being held between Ymgynghoriaeth Gwynedd Consultancy and Welsh Government on this matter, since a number of plans were in place and that this was a figure to protect the work.

- c) It was proposed and seconded to accept the report

RESOLVED:

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

7. REVENUE BUDGET 2022/23 - END OF AUGUST 2022 REVIEW

- a) Submitted - the report of the Cabinet Member for Finance, Councillor Ioan Thomas, requesting that the committee scrutinises the position and relevant risks in the context of the Council's budgets and its departments, and submit observations to the Cabinet for approval on 25 October 2022.

The Cabinet Member for Finance set out the context for the report, noting the following:-

- That the Adults, Health and Well-being Department was overspending, which is a combination of factors, including the failure to realise savings
- That the Economy and Community Department was seeing the impact of increasing energy costs
- That the Highways and Municipal Department was highlighting the lack of realising savings in the field of waste
- That the Housing and Property Department was seeing an impact in the homelessness field as a result of an amendment to Covid-19 legislative arrangements
- That it was intended to look at school balances to fund the overspend anticipated on electricity costs this year as the schools had saved energy over the Covid period

The Senior Finance Manager referred to a summary of the final position of all departments and highlighted the fields where there had been significant differences. Attention was drawn to the impact of the increase in inflation, particularly the costs of electricity, which were above the budget and to be seen most prominently in the Education, Highways and Municipal, and Economy and Community Departments - on the leisure centres of Cwmni Byw'n Iach.

- In the context of Covid, although the impact was not as substantial in 2022/23 in comparison with the two previous years, the additional costs, income losses and slippages on savings schemes as a result of Covid, continued in some fields.
- The Adults, Health and Well-being Department - anticipated overspend of £1.9 million this year, this being a combination of factors, including a failure to realise savings to the value of £930k. Very obviously this year, pressure was seen on supported accommodation and direct payment packages, as well as staffing costs and a lack of income in the Community Care field.
- Education Department - an overspend of £1.3m was anticipated as a result of the impact of higher electricity costs for a six-month period from October 2022 onwards at the schools. Considering that the schools had already benefited from almost a million in energy savings which had derived from Covid and the associated lockdowns, it was therefore considered appropriate to use school balances to fund the additional pressures this year.
- Byw'n Iach - as a result of the impact of Covid, the company received financial support from the Welsh Government's hardship fund (to the value of £1.4 million in 2021/22 and £2.7 million in 2020/21). Such support was not available from the Government this year, but the impact of Covid was continuing in 2022/23 and was disrupting the ability to generate income. As a result, the Council confirmed necessary financial support to sustain Byw'n Iach services by extending the period of assurance given to the Company up to the end of 2022/23, which was £842k this year.
- Highways and Municipal Department - annual trend of overspend in the municipal field continued, with the most prominent problems in the waste collection and recycling field. The department was also experiencing difficulties to realise savings to the value of £533k.
- Housing and Property - the implications of legislative changes relating to Homelessness leading to substantial financial pressures. Although an allocation of

£1.5m from the Council's post-Covid arrangements fund was provided to assist the situation, a net overspend of £3.2 million is anticipated this year.

- Corporate - prudent projections when setting the 2022/23 budget responsible for additional taxation output and contributing to the underspend on Council Tax Reductions - a reduction in the number of claimants. The latest increase in interest rates means that the projections of receiving £1.1 million interest is more favourable.

It was reported that use would need to be made of the Council's reserves and School balances to fund the £7.1 million financial deficit anticipated for 2022/23. An explanation was given of two of the Council's reserve funds, namely 'Balances' (reserve funds not earmarked), and 'Funds' (money in specific funds for specific purposes that can protect and assist with the future's challenges).

Given the significant overspend anticipated by the Adults, Health and Well-being Department and the Highways and Municipal Department, to note the Chief Executive's intention to call a meeting of relevant officers in order to get to the root of the overspend. The intention was to ensure that definitive steps were taken in an attempt to bring the situation under control by the end of the financial year, and to report to Cabinet on the response plan.

Gratitude was expressed for the detailed and clear report.

- b) During the ensuing discussion, the following observations were made by members:
- That inflation was the big enemy - the recommendations to deal with a difficult situation were wise
 - That the homelessness situation was commonplace across the country - a call was made to lobby the government to fund the costs of legislative amendments
 - That the balances could only be used as a one-off - this needed to be considered when setting the budget for 2022/23
 - That the existing economic position placed additional pressure on the Council - there would be a need to search for solutions when setting the budget
 - That schools should not be placed under pressure to reach an arbitrary point when forward planning
 - To accept an update on interest returns at the next meeting
 - That the reasons for the ongoing overspending of the Highways and Municipal Department should be scrutinised
 - That there was a need to submit a progress report / action plan to the Committee in response to the discussions between Highways and Municipal and the Chief Executive, as well as the response to the recommendations received from WRAP Cymru
 - A suggestion to draw up a timetable / work programme of the Council's savings realisation scheme - this would be a means to present the information needed to better understand the situation
- c) In response to a question regarding using the second homes premium to address the increase in costs in the homelessness field, it was noted that this would need to be considered when planning for 2022/23.

In response to a question regarding challenging the Byw'n Iach Service to consider savings and hold discussions on reducing costs, it was reported that the company had a savings scheme for 2022/23 and that a bid application had been submitted.

In response to the proposal to use school balances to fund the increase in electricity prices at the schools, it was noted that the schools' balances had increased immensely over the past two years and that due to the increase in grants and profit from energy

savings - therefore it would be appropriate to use this year's balances to assist with the funding of energy costs.

DECISION:

- 1. To accept the report and note the situation and relevant risks in the context of the budgets of the Council and its departments.**
- 2. Agree with the recommendation for the Cabinet to use:**
 - **School Balances to fund the increase in electricity prices in schools**
 - **£4.5 million from the post-Covid recovery arrangements fund established to fund the associated financial challenges that face the Council**
 - **The rest to be financed from the Financial Strategy Reserve.**
- 3. That a progress report of the actions is submitted to the Committee following discussions with the Chief Executive and the Highways and Municipal Department regarding the Department's overspend (the report to include a response to the recommendations submitted to the Department by WRAP Cymru).**

8. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

- a) A report was submitted by the Cabinet Member for Finance, which summarised the Council's savings position. He asked the committee to note the situation and relevant risks in the context of the Savings Overview and offer observations on the situation for the Cabinet to consider as they approved the report on 25 October 2022. It was also explained that the departments had presented the savings schemes and that the finance officers were merely reporting on the situation.

The Senior Finance Manager reiterated:

- Since 2015/16, as part of the Council's financial strategy, savings to the value of £35.4m had been approved to be realised during the 2015/16 - 2022/23 period. It was noted that a total of £33.4 million of savings had been realised, which was 94% of the required amount over the period.
- That the impact of Covid seemed to have contributed to the slippage in the savings programme in some fields.
- The main schemes that were yet to be achieved were schemes those in the Adults, Health and Well-being Department and the Highways and Municipal Department.
- That there was a need, when preparing the 2022/23 budget, to acknowledge that the situation had changed so much that there was no way to achieve the savings that had been planned originally, and therefore, almost £500k of plans were removed from the budget and the delivery profile was moved for plans to the value of £1.3 million for 2023/24 and subsequent years.
- That it was inevitable that realising savings to the value of £33.4m (out of a total of £35.4 million) since April 2015, had been challenging. With a delay and risks to delivering some of the remaining schemes, there was a need to review the plans by the end of the financial year.

Gratitude was expressed for the report and it was expressed that the positive elements in the report needed to be congratulated -

- b) During the ensuing discussion, the following observations were made by members:
- That 94% of the schemes had been completed - this was encouraging
 - That the departments themselves had proposed the savings and they were not something that had been forced on them
 - That some of the schemes were historical

- That pressure needed to be placed on those departments that were unable to achieve savings to reconsider plans or plan again
- That there was a need to encourage more detailed information - if there was no movement on schemes, then better schemes were needed
- When planning new savings, there was a need to consider elements that were beyond control - the impact of making cuts today leading to greater expenditure in the future, e.g. road maintenance
- Suggestion to highlight clearly that appendix 4 features slipping savings
- That savings schemes needed to be challenged in more detail in the future
- Eager for plans that were slipping schemes to be addressed and be scrutinised

- c) In response to a question regarding the intention to set more ambitious targets for the departments to contribute to the savings scheme, it was noted that this will be inevitable and that work is underway to develop an appropriate procedure. It was reiterated that different processes had been followed to meet the savings to date and that difficult decisions would need to be made in the future.

In response to a comment regarding a £25,000 slippage (Finance Department - delay to a 'Generating Income through Fraud Prevention' plan), the Head of Finance highlighted that the scheme had been established and staff had been trained in the field, but that the Covid period had prevented formal interviews from being held and so the scheme had not commenced. It was reiterated that this was slippage and not a failure and unless it would be possible to deliver in the future, then alternative arrangements would need to be considered.

In response to a comment that the waste field was transferring to the Environment Department and whether this was going to recommence the process of responding to the savings scheme, it was noted that the Environment Department was aware of the need to realise the savings and that discussions had been held between both departments to ensure that the effort to deal with the financial situation continued.

RESOLVED:

- 1. To accept the report and note the situation and relevant risks in the context of the Savings Overview**
- 2. To recommend to the Cabinet that detailed challenge is required on unrealised schemes - need to ensure regular review of those schemes that are slipping and refer the schemes to the relevant Scrutiny Committees' work programme.**

The meeting commenced at 10.00 and concluded at 11.50

CHAIR