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## GOVERNANCE AND AUDIT COMMITTEE 23 MAY 2024

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### Attendance:

**Councillors:** Elwyn Jones, Edgar Wyn Owen, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Angela Russell, Ioan Thomas 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), Luned Fôn Thomas (Audit Manager), Delyth Thomas Jones (Investment Manager), Caren Rees Jones (Group Accountant – Capital and Management), Caleb Lewis (Cynllun Yfory – Finance and Accountancy Professional Trainee), Iwan Evans (Monitoring Officer) and Lowri Haf Evans (Democracy Services Officer)

### Others invited:

Councillor Paul Rowlinson (Cabinet Member – Finance) and Geraint Owen (Corporate Director)

Item 14 and 15: Dafydd Gibbard (Chief Executive)

Item 18: Alan Hughes (Audit Wales) and Dewi Jones (Council's Business Support Service Manager).

Item 19: Alan Hughes (Audit Wales), Dewi Jones (Council's Business Support Service Manager) and Gareth Jones (Assistant Head of Environment Department)

Item 20: Alan Hughes (Audit Wales) and Dewi Jones (Council's Business Support Service Manager)

Item 21: Dewi Jones (Council's Business Support Service Manager)

### 1. ELECTION OF CHAIR

**RESOLVED to elect Carys Edwards as Chair of this Committee for 2024 /25**

### 2. ELECTION OF VICE-CHAIR

**RESOLVED to elect Rhys Parry as Vice-chair of this Committee for 2024/25.**

Sharon Warnes thanked the members and the officers for their support over her period as Chair of the Committee.

Councillor Paul Rowlinson was congratulated on his appointment to the Cabinet as Cabinet Member for Finance

### 3. APOLOGIES

Apologies were received from Councillors Rob Triggs, Menna Baines and Arwyn Herald Roberts; Councillor Dyfrig Siencyn (for item 15)

#### **4. DECLARATION OF PERSONAL INTEREST**

- Councillor Richard Glyn Roberts – Item 9 – Financial Support for Byw'n Iach. He noted that he was on the Byw'n Iach Board. Following guidance from the Monitoring Officer, it was not a prejudicial interest as the subject was part of a broader report. He did not have to leave the meeting.
- Carys Edwards – Lay Member, Item 13 – Smallholdings. She noted that she was a tenant of one of the Council's smallholdings. Following guidance from the Monitoring Officer it was not a prejudicial interest as the subject was part of a broader report. She did not have to leave the meeting.

#### **5. URGENT ITEMS**

A request had been received to discuss the terms of reference of the Education Department's internal procedures following the court case of the former headteacher of Ysgol Friars, Bangor, and challenge the outcome of the Estyn inspection (June 2023) of Cyngor Gwynedd's Education Services. In response to the request, the Monitoring Officer stated that the matter was the subject of an external formal investigation at present, and that the role of the Education and Economy Scrutiny Committee would be to scrutinise the internal arrangements of the Education Department. Although premature, it was noted that the Governance and Audit committee had a role to keep oversight of the information, data and robustness of processes and therefore the matter could be considered after the findings of the investigation had been completed.

#### **6. MINUTES**

The Chair signed the minutes of the previous meetings of this committee, held on 18 January 2024 and 8 February 2024 as a true record.

In response to an observation that the Implementation of Committee Decisions item was not on the agenda and the concern that this item would be lost, it was noted with the high number of items on the agenda, that items had had to be cut from this meeting. The item was to be included, with a full update for members at the next meetings.

#### **7. ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE 2023-24**

The annual report was submitted by the Committee Chair. It was highlighted that the report was being submitted in response to a strong recommendation from CIPFA, which noted that the Committee should provide an annual report which gave assurances to everyone charged with governance that it was achieving its purpose and could show impact. The purpose of the report was to encompass the work of the Committee over the 2023-24 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. The Head of Finance Department was thanked for his work of preparing the report along with Mr Hywel Eifion Jones (former Vice-chair of the Committee) for his valuable support.

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 set by the Cyngor Gwynedd

Constitution). Attention was drawn to the effectiveness of the Committee and the number of items discussed which reflected the work of the committee and feedback regarding the Council's arrangements. After holding a self-evaluation workshop, it was proposed to include the output of that workshop as an attachment to the final report.

During the ensuing discussion, the following observations were noted:

- That the report was a good one – welcomed the report and thanked the Chair for her work and guidance over the year.
- That the sentence regarding changes to the Committee's constitution and consequently more inexperienced members becoming members of the committee 'taking two years to settle down' seemed patronizing. Members had developed over the past two years and had offered new observations.

In response to a comment that the Estyn report (June 2023) was insufficient and defective and that this was a serious issue, how therefore would receiving additional information change the situation, it was noted that the Committee's role was to accept reports, and that it was reflections / impressions that had been submitted to the Committee, along with the Department's response. In response, it was noted for the future that there was a need to consider a procedure which challenged information instead of accepting it only.

#### **RESOLVED:**

**To accept and approve the draft Annual Report for 2023/24 and to recommend to the Full Council for final acceptance.**

## **8. SELF-ASSESSMENT OF THE COMMITTEE'S GOOD PRACTICE**

The Audit Manager presented a report which outlined the outcomes and action plan of the good practice self-assessment workshop. As a Committee charged as 'those responsible for governance' it was required to conduct a periodical self-assessment of its effectiveness, and the Committee resolved at the meeting in December 2023, to hold a workshop to address and conduct a face-to-face self-assessment with all members of the Committee, guided by an external facilitator.

When submitting information on the need to conduct a self-assessment, it was highlighted in the Welsh Government's Statutory Guidance made under the Local Government Measure 2011 (June 2012), that the Government had already approved the CIPFA publication, "Audit Committees: Practical Guidance for Local Authorities", and were advising local authorities to look at these documents as supplementary ones to the statutory guidelines. It was added that the CIPFA guidelines included tools to help audit committee members hold a self-evaluation and that the outcome of this assessment was evidence for the Council's risk register (risk L18, Unsuitable internal control arrangements that entail that we either do not protect ourselves from risks or waste resources on over-control) and for the Annual Governance Statement.

It was highlighted that the workshops had been an opportunity for members to get to know each other and discuss the committee's expectations. It was reiterated that the action plan set a direction for the committee and identified matters to be considered in the future.

The members gave thanks for the report and thanked the Audit Manager for organising the day. It was highlighted that the format of the workshop was professional and the work that needed to be achieved gave confidence in the future of the committee.

Matters arising from the ensuing discussion;

- That there was a need to organise for the Committee to meet internal audit and external audit separately so that the relationship could be reinforced – it would also be an opportunity to review the procedure and receive feedback.
- That the committee's role was 'advisory' – in future it should be considered that there was a need for a right to offer observations and not just accept the information. A suggestion to revisit expectations and offer observations, instead of decisions.

In response to a question about how the arrangements in relation to reports from external regulators can be improved, the need for the committee to receive an update from the regulators on progress with the recommended improvements was noted.

## **RESOLVED**

- **To accept the report**
- **To approve the contents of the self-assessment.**
- **To support the actions.**

Note;

Need to identify opportunities to reinforce the relationship between external regulators and Internal Audit.

## **9. FINAL ACCOUNTS 2023/24 – REVENUE OUT-TURN**

The Cabinet Member for Finance highlighted that the report had been submitted to the Cabinet on 14 May 2024 where the virements had been approved. The Committee was asked to scrutinise and offer observations on the decision.

It was noted that the report detailed the Council's expenditure in 2023/24, the out-turn underspend or overspend position of individual departments, and the reasons for that. References were made to a summary of the final position of all departments which highlighted the amounts to be carried forward at the end of the financial year, as well as the main matters and fields where there were substantial differences. The following was highlighted,

- **Adults, Health and Well-being Department:** A reduction was seen in the overspend to £3.9 million compared to the end of November review, as the department had received grants and income since the last review, which had assisted the situation. It was noted that there was £1.8 million overspend due to increasing and costly supported accommodation costs in the Learning Disabilities Service. In the field of Domiciliary Care, staffing costs and sickness levels and non-contact hours are high, whilst there are pressures on the budget for private domiciliary care providers. It was noted that a bid of £1.6 million to increase the budget to deal with the Learning Disability Services had been made, as well as work being in the pipeline to seek better control of the budgets – the overspend was excessive and therefore this had to be addressed.
- **Children's Department:** Since the November review, the Department's overspend has increased by £1.3 million to £2.6 million, because of an increase in the costs of out-of-county placements due to the complexity of packages and the recent increased use of non-registered placements, which were more costly. It was hoped to seek a procedure to internalise the service so that the overspend could be addressed. Pressures could also be seen on the Derwen Service budget.
- **Education Department:** A trend of increasing pressure on the school taxi and bus budget continued with an overspend of £1.5 million at the end of the year. There was a strategic review for the situation planned, with a designated officer appointed to deal with this. Staff turnover, income and grant receipts, and less pressure on

other budgets reduced the overspend to £95,000. The department was using £95,000 from its departmental underspend fund to balance the overspend.

- Economy Department / Byw'n Iach. In 2022/23, the Council had provided £550k financial support to Byw'n Iach above the contracted payment of the provision contract, to enable it to maintain its services and remain viable as a company. The financial support continued this year, and the required amount had reduced to £308,000. Anticipate that there will be no need for support in the future.
- Highways and Municipal Department: An overspend of £687k due to pressures on the road maintenance and lighting budget and a reduction in the work being commissioned by external agencies. In municipal, additional pressure can be seen on staff budgets and a loss of income. Nevertheless, Gwynedd Consultancy exceeded the budget.
- Environment Department: The trend of overspend in the field of waste and recycling collection continued and was £1.2 million by the end of the year. The Department was implementing the WRAP Cymru recommendations in an attempt to address the overspend. Also, a deficit of £601,000 in parking income.
- Housing and Property Department: The trend of significant pressure on temporary accommodation in homelessness services continued to be very intense with an overspend of £2m (despite an additional budget of £3m from council tax premium and a grant of £597k from the Government having been allocated to the field). Homelessness was a significant problem and was creating substantial overspending pressures. Using a one-off allocation of £1.4m from the corporate Covid provision and the departmental underspend fund reduces the overspend reported for the department to £255k.
- Schools: The total county school balances had reduced by £3.4 million, namely £11.9m in 2022/23 to £8.5 million in 2023/24. It was noted that there had been a significant increase in school balances in recent years due to the receipt of significant grants, but it was anticipated that they would be back to usual levels by the end of 2024/25.
- There had been a sufficiency review of the Council's specific funds when closing the accounts and it had been possible to harvest £2.8 million of resources.

In terms of the next steps, it was noted that work was in the pipeline to complete the statutory financial statements for 2023/24 to be submitted to Audit Wales for audit.

Members expressed their thanks for the report and noted that the period was very challenging for services.

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

- That receiving continuous reports on the situation was beneficial, but the Council had substantial overspend – fortunate of its reserves.
- That there was a risk for the overspend to worsen in the longer term with problems anticipated with the increase in the number of older people leading to an increase in the use of services and therefore increasing the budgetary risk in the future – a suggestion to externalise services.
- That overspending in some areas was the result of underfunding – high expectations with little investment.
- Including the sums of those schools that were in deficit at the end of the financial year would provide a better understanding of the situation.
- That the cuts had reached a critical and difficult point.
- In the context of homelessness, there is a need to understand the situation and receive information regarding numbers. A suggestion to consider holding an information session for committee members to understand the field better and to understand the reasons why the cost is so high.

In response to these observations, the Cabinet Member noted that the main reason for the overspend was that there is an insufficient budget and cuts were becoming more difficult every year, which was reflected in new overspend fields. He reiterated that work was in the pipeline to deal with the overspend with steps to manage it by means of an early warning procedure added to reports. He also noted that financial pressures placed pressures on services which in turn led to loss of service and therefore impacted the residents of Gwynedd, as a result of underfunding from Central Government.

#### **RESOLVED**

- **To accept the report**
- **To note the relevant risks.**
- **To support the Cabinet's decision (14 May 2024) to approve the amounts to be carried forward; to approve all recommendations and financial virements.**

Note:

- Provide information about those schools with a deficit at the end of the financial year and the relevant sums.
- Consider holding an information session for committee members to understand the field better and to understand the reasons why the cost is so high.

#### **10. CAPITAL PROGRAMME 2023/24 – END OF YEAR REVIEW (POSITION AS AT 31 MARCH 2024)**

The Cabinet Member highlighted that the main purpose of the report was to submit the revised capital programme at the end of the financial year (position as at 31 March 2024), and approve the relevant funding sources. The report had been submitted to the Cabinet on 14 May 2024 where all the recommendations had been approved. The Committee was asked to accept the information and consider the risks relating to the capital programme.

Reference was made to a Department-by-Department analysis of the £189 million capital programme for the 3 years 2023/24 – 2025/26 together with the sources available to fund the net increase which was approximately £3 million since the last review.

The main findings of the review were that the Council had managed to spend £57 million in 2023/24 on capital schemes, and £33 million (58%) of it funded through specific grants.

It was explained that the effect of recent financial challenges remained on the capital programme. It was noted that an additional £34 million of proposed expenditure had been re-profiled from 2023/24 to 2024/25 and 2025/26, and the main schemes that had slipped since the original budget included:

- £16 million Housing Strategy Plans
- £14.6 million Schools Schemes (Sustainable Learning Communities and Others)
- £6.4 million Shared Prosperity Fund Schemes
- £5.7 million Renewal of Vehicles and Equipment
- £4.1 million Carbon Management and Solar Panels Schemes
- £3.8 million Levelling Up Fund schemes

In addition, the Council had managed to attract further grants since the last review, which included:

- £1.755 million – A grant towards the plan to De-carbonise Heat within the Council.
- £1.1 million – Flying Start and Childcare Capital Grant from the Welsh Government.
- £659,000 – Welsh Government grant towards the purchase of a property to meet needs in the Homelessness field.
- £392,000 – Litter Infrastructure Grant from the Welsh Government.

- £358,000 – Schools' Maintenance Grant 2023/24 from the Welsh Government.

Reference was made to the information about the Council's Capital Prudential Indicators which was a new reporting requirement in 2023-24 and it was highlighted that the Council had complied with the policy on borrowing for capital purposes.

The members thanked the officer for the report

#### **RESOLVED**

- **To accept the report**
- **To note the relevant risks.**
- **To support the Cabinet's decision (14 May 2024) to approve the revised financing.**

### **11. FINAL ACCOUNTS OF GWYNEDD HARBOURS FOR THE YEAR ENDING 31 MARCH 2024**

The report was submitted by the Assistant Head of Finance – Accountancy and Pensions. It was explained, in accordance with the statutory requirements under the Harbours Act 1964, as a harbour authority, that Cyngor Gwynedd was required to provide an annual accounts statement relating to the activities of Barmouth, Aberdyfi, Pwllheli and Porthmadog harbours. As the turnover of the harbours was below £2.5m, it was deemed to be a smaller local government body, and therefore an annual return provided by Audit Wales must be prepared in accordance with statutory requirements.

Reference was made to the income and expenditure account, and it was highlighted that there was a £31,000 underspend at the end of the year. Of this amount, it was reported that an underspend on staffing and building maintenance was underspending £4,000 each, whilst there was an overspend of £35,000 on supplies and services and specifically on equipment including safety equipment, but which was funded from a reserve. In terms of the income, it was reported that the fees level was £9,000 above the income target.

Attention was drawn to the external auditors' standard form together with the Annual Governance Statement, which gave assurance of a robust internal control system. It was highlighted that the accounts had already been the subject of internal Audit and had now been sent to the external Auditor, Audit Wales, for audit. It was added that only if changes were required following the audit would an amended version be presented to the Committee in November.

The Governance and Audit Committee was asked to accept and approve the Accounts for 2023/24 and for the Chair to sign the form electronically on page 104.

The members expressed their thanks for the report.

#### **RESOLVED**

**To accept the report and approve:**

- **The Revenue Income and Expenditure Account 2023/24.**
- **The Annual Return for the Year ending 31 March 2024, subject to audit by Audit Wales.**
- **The Chair to sign the form electronically**

### **12. INTERNAL AUDIT OUTPUT**

Submitted – for information, the report of the Audit Manager updating the Committee on the internal audit work for the period up to 31 March 2024. It was highlighted that 12 of the

audits in the existing plan had been completed and given an assurance level of high; satisfactory or limited.

Each audit was referred to in turn.

Matters arising from the subsequent discussion:

Commercial Income

- Concern regarding businesses with owed amounts continuing to receive a service – assurance needed that this does not happen again following an internal audit.
- Request for acknowledgement / a figure that would place an amount on the debts to seek a comprehensive picture. The Department was overspending, but yet they were not following debt recovery procedures.

In response to the comments, the Audit Manager noted that the audit had received a limited assurance level due to the situation with the arrears and that the Waste and Recycling Manager had committed to implement steps to mitigate the risks highlighted. A follow-up review would be implemented, and the actions would be revisited. It was reiterated that there were some situations where businesses were seen to be moving properties from Council Tax to business rates and that there were potential income losses here – certainly, there was a need for a better system.

Safeguarding Arrangements – Organisations

Concern that the essence of responsibility was being lost in the bulk of information being submitted to raise awareness.

In response to the observation, the Audit Manager emphasised that every member of staff had a responsibility to complete a statutory training module in the safeguarding field – the matter was being discussed as a priority field at the cross-departmental safeguarding panel.

Cefn Rodyn Residential Home

In response to a question regarding in what form would evidence of achieving the actions be reported back to the Service / Committee, it was noted that Internal Audit would hold a follow-up audit where evidence will need to be submitted – if there is no response, then a report will be submitted to the Committee. With the audit receiving a 'satisfactory' assurance level, the matter was not seen to be a very high risk, but a report on the steps will be included in the Annual Report.

Follow-up Deprivation of Liberty Safeguards – Limited assurance level.

Concern that the Council was being punished because of a lack of compliance with the Legal Acts relating to DoLS (Deprivation of Liberty Safeguards Arrangements). A request for information on the numbers on the list in Gwynedd as well as a training session on the situation.

The members thanked the officer for the report

**RESOLVED:**

- **To accept the report**
- **To support the actions that had already been agreed with the relevant services.**



Note: In the context of the Follow-Up Deprivation of Liberty Safeguards (DoLS) – this to be highlighted as a risk.

### **13. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2023 / 24**

A report was submitted by the Audit Manager, expressing Internal Audit's opinion of the overall control environment within the Authority during 2023/24 providing the said annual internal audit opinion to the Authority. It was noted that assurance could never be absolute, and the most that the internal audit service could provide to the Council was a reasonable assurance that there were no major weaknesses in the whole system of internal control. It was explained that the annual opinion of the Head of Internal Audit was based on three aspects of the Authority's arrangements – Governance, Risk Management and Internal Control.

Based on Internal Audit work completed during 2023/2024, Cyngor Gwynedd's internal control framework during the financial year 2023/2024 was deemed to operate at a reasonable level of assurance on the overall adequacy and effectiveness of the Authority's governance, risk management and internal control framework.

A total of 30 pieces of work were included in the final revised audit plan for 2023/2024. 29 assignments had been completed by 31 March 2023, representing 96.67% of the plan. Of the relevant reports from the 2023/2024 audit plan that had received an assurance level, 88.46% had received a 'Satisfactory' or 'High' assurance level. Three audits had received a 'limited level' and no audits had received 'no assurance' level.

In the context of follow-up work, it was reported that of 104 agreed actions set in 2022/23, three were now irrelevant. For the remaining 101, there had been acceptable action on 95% of them by 31 March 2024.

In the context of the Quality Assurance and Improvement Programme, it was noted that the outcomes of the self-assessment of compliance with the Public Sector Internal Audit Standards (PSIAS) as well as the Quality Assurance and Improvement Programme, had been submitted to the Committee in July 2017. The results of the self-assessment against the standards and the amended Note to Local Government (2019) would be submitted to the Committee during 2024/25 as well as the outcomes of the external assessment.

The members expressed their thanks for the clear and encouraging report.

Matters arising from the subsequent discussion

- Need to re-establish the Controls Improvement Working Group
- Three limited fields identified – Communication Arrangements, Deprivation of Liberty Safeguards Measures and Smallholdings. The timetable had slipped therefore they needed to be revisited or the matter called before the Improvement Working Group.
- Where significant internal control weaknesses had occurred – it was noted in Welsh that these matters had been addressed by the Committee – in the English version it noted that these matters had been resolved by the Committee – the sentence should read 'drawn attention'.

In response to a question regarding a reduction in the number of productive days and whether this had led to the cancellation of audits, and should there be an improvement in the future, it was noted that there had been a reduction in the days due to long-term sickness, maternity, sickness and extension to a secondment in another organisation (which brought an income source to the service), but there was a need to be cautious of

the situation in the future. It was reiterated that there were pressures to increase the income with a savings target of £42,000, which was substantial for a small team.

#### **RESOLVED**

- **To accept the report in accordance with the requirements of the Public Sector Internal Audit Standards for the 2023/24 financial year.**

#### **14. MEDIUM TERM FINANCIAL PLAN**

The report was submitted by the Cabinet Member for Finance in response to the financial challenges facing the Council. The purpose of the plan is to set out projections for the Council's position over the next three financial years, and offer assumptions as well as proposals to address the financial deficit faced by the Council. It was highlighted that the plan had been approved by the Cabinet (14 May 2024).

The Chief Executive explained that finding cuts in the Council's budget and services was not a new process since cuts had been introduced annually for 18 years. It was commended that the Council had managed to maintain services despite the reduction in the departments' budgets but the need to bring some services to an end in the future was acknowledged.

It was confirmed that the budget for this year had been set and a significant shortfall in Council income by 2027/38 was anticipated, therefore work was underway to try and fill the gap through a factual plan. It was emphasised that the projections were based on the information in the past years and that it was an initial plan to address the medium-term budget.

Reference was made to the summary of the plan by noting that it elaborated on the known factors that impacted the Council's financial situation during the medium term (between 2025/26 until the end of 2027/28). It was detailed that inflation was anticipated on the salaries of Council staff in addition to the prices of goods, as well as the increase of levies impacting the Council's budget within this period. However, it was emphasised that there was no agreement to increase salaries with the unions at present. It was also emphasised that no detailed consideration had been given to adjusting Council tax levels, and that any adjustment would require Full Council approval.

It was explained that the rate of inflation that was used in the Plan was based on the outlook of the Bank of England and advice by Arlingclose company, which were the Council's treasury advisers. It was noted that the officers had based the anticipated inflation rate at 2% for the number of years in the medium term to plan to address that gap. It was acknowledged that there was an annual demand for an additional budget above inflation in some fields and it was anticipated that £3 million a year would be required to deal with this demand. It was emphasised that this was a prudent provision, not an expenditure target, and any financial bid would receive careful consideration.

It was reported that the Plan suggested a financial deficit of £36.2m (before considering any Council Tax increase and savings that had already been identified) during the medium term based on assumptions and estimates. It was confirmed that the hope was to present various options on the next steps in the future, and the need to find a balance between maintaining services and adapting the levels of Council tax was noted.

The Cabinet had resolved to commission the Chief Executive to establish and lead on a range of measures and work packages, to prepare in advance for dealing with the significant gap in our budget over the next three years. The work will also consider the named methods of funding services, providing a clear picture of the Council's sustainability

over the next three years and assisting to make decisions at a difficult time. It was reiterated that the Plan was a live plan that would be updated as information came to hand.

Members gave thanks for the report – it was a key plan which set a picture of the situation for the future.

In response to a question regarding whether it was possible to hold specific sessions with the Members of the Committee on medium-term plans as a basis to discussions, the Chief Executive noted, following the success of the briefing sessions during 2023/24, that a new series of sessions would be arranged – these sessions would highlight the challenges facing the Council. It was reiterated that clear communication was a core part of the process.

Matters arising from the ensuing discussion:

- That the report was timely
- That they agreed with the recommendations and the commission brief for the Chief Executive
- That it was essential to consider new ways of providing services (statutory and essential) – private sector and the third sector

In response to the comment regarding the commission, the Chief Executive noted that various fields were being addressed. Despite their experience of considering ways to change services, £17 million had to be found through alternative means. The Government was unlikely to fund the financial deficit and therefore the Local Authorities were required to deliver and offer the services. The hope is that this plan will offer options to members.

**RESOLVED:**

- **To accept the report**
- **To note the relevant risks that derive from the Medium Term Financial Plan.**
- **To support the Cabinet's decision (14 May 2024).**

## **15. ASSET MANAGEMENT PLAN 2024-2034**

The Chief Executive submitted a report asking the members to scrutinise the information and offer observations that the facts being submitted were based on robust information and that the propriety of the process of establishing the priorities had been considered in full, before the Cabinet considered the Plan at its meeting on 11 June 2024.

It was explained that the Council received a capital grant from Welsh Government annually, to be used for asset management priorities. When the Asset Management Plan was adopted in 2019, it was reported at the time that the Council was receiving £6.6 million in capital resources every year, and it had not increased since the previous Plan had been established in 2009. Between 2018 and 2023, we also received amounts above this (approximately £2M per annum on average), in the form of grants for a specific purpose.

However, concern was highlighted that the additional grants would come to an end, and that the core capital grant would remain on the same level – £6.6 million per annum. This would mean that it will not be possible to achieve as much with the core resource – considering the levels of inflation over the past 5 years, £6.6 million's worth in 2009 was equivalent to £4.3 million today, which was a 34% reduction.

When setting our new 10-year plan, we presumed that £47.7 million of capital funding was available for us to extend the plan for an additional 5 years. This conclusion was reached having considered our annual capital grant amount as well as capital and funds that have not been allocated in the current Asset Management Plan. It was reiterated, in order to

respond to new plans emerging that could not be projected when setting this plan, the intention was to continue to maintain a provision of £0.5 million per annum to address those requirements. It was noted that this brought the additional amount available to extend the Asset Management Plan until 2034 to £45.2 million.

When establishing the 10-year Plan, it was reported that bid invitations had been made to the Departments to identify their capital needs over the next 10 years – 70 bids had been received with a total expenditure of £129.3 million. The Chief Executive had assessed all plans and had placed them in high, moderate and low risk categories. Information had been submitted to Elected Members to gather views on the risk assessment on each of the plans.

The members thanked the officer for the report.

In response to a question regarding feasibility studies and whether any improvement would be subject to a feasibility study, it was noted that a vast majority of the process would involve applying for grants through other sources and the need to consider that cuts would not cause excessive disruption.

Matters arising from the ensuing discussion:

- Gave thanks for the invitation to the briefing session.
- Welcomed the procedure to address the gap.
- Welcomed the contribution of the housing premium to fund urgent investment to deal with health and safety risks in smallholdings.
- Considered additional capital by selling property – was every building used in full? Had a review been carried out post-Covid to review the use of buildings? Was reasonable use being made of buildings?

In response to the comment regarding selling buildings to generate extra capital, it was noted that the list of unused properties was under review and that every building was currently being used, except for those earmarked for housing developments. If the property was not appropriate for housing, the intention was to sell. In the context of offices, with the cuts scheme and a reduction in revenue expenditure, staff would be squeezed into fewer buildings, and empty assets would be used to deliver services.

In response to a question about why flood prevention on the A499 was not considered a priority field, it was noted that the department was in discussions with Natural Resources Wales since NRW would fund such schemes.

#### **RESOLVED**

- **To accept the report**
- **To approve the propriety of the process of establishing the Plan's priorities.**
- **To support the recommendation to the Cabinet (11 June 2024) to approve the Plan.**

## **16. INTERNAL AUDIT CHARTER 2023/2024**

In accordance with the Public Sector Internal Audit Standards 2013 (revised 2017) an Internal Audit Charter needed to be set out and the contents of the Charter needed to address the Local Government Application Note (2019) published by CIPFA. The Gwynedd Internal Audit Charter was presented by the Audit Manager and it was noted that it was the Committee's responsibility to approve the charter annually.

Attention was drawn to the need during the next year to update the Audit Charter to reflect the new Global Internal Audit Standards as published by the Institute of Internal Auditors (IIA). The adaptations would need to be operational by 2025.

Reference was also made to one other change since the 2023/24 charter had been approved, namely that the Internal Audit Service's purpose had expanded.

The members thanked the officer for the report

## **RESOLVED**

**To accept the report and approve the Internal Audit Charter**

### **17. INTERNAL AUDIT STRATEGY AND THE ANNUAL AUDIT PLAN**

In accordance with the requirements of the Public Sector Internal Audit Standards, a risk-based plan was submitted to determine the priorities of the Internal Audit activity, consistent with the Council's goals. It was explained that the plan was sufficiently flexible to give attention to any matters that emerged, and that any adaptations / amendments would be approved by the Committee. Reference was made to the use of the AGILE methodology that provided a flexible and dynamic Internal Audit Planning approach as a result of continuous risk monitoring.

It was projected that approximately 660 days of audit resources would be available to complete the 2024/25 audit plan. This would be based on analysing the staffing resources available, including reasonable budgets for "non-productive" activities such as annual leave, sickness, training, management and meetings and reasonable provisions for responsive and follow-up work.

Attention was drawn to the work being done with the Council's Whistleblowing Policy, noting concern that very few formal matters are referred – it was noted that a feedback questionnaire was being considered. Reference was made to the individual audits, drawing attention to the Absence Management and Referral Arrangements to check the appropriate controls of the new sickness module, as well as give assurance that managers have suitable support to support their teams: Breakfast Club Audits that will ensure Health and Safety arrangements such as food allergies, and that there are appropriate arrangements to record this; Bin Distribution Arrangements – this request from the Head of Department to identify potential savings. Smallholdings follow-up audit to ensure that sufficient progress has been made since the audit was conducted in 2022/23.

The members thanked the officer for the report

## **RESOLVED**

**To accept the report and approve the Internal Audit Strategy and Annual Audit Plan.**

### **18. AUDIT WALES – Quarter 4 Update**

Alan Hughes (Audit Wales Office) was welcomed to the meeting to present the following reports.

An update was presented on the Audit Wales work programme and timetable up to the end of March 2024.

It was highlighted that work on providing an opinion on the accuracy and fairness of the financial statements for the year ending March 2024 would begin soon, with a final audit to be completed between September and November 2024. It was also noted that Endorsing Housing Benefit Subsidy Grant Forms 2022/23 had also been endorsed in May 2024.

In the context of the Digital Thematic Review (submitted to the Committee in December 2023), it was reported that it was intended to share messages from the review completed across the Welsh authorities, at the end of the summer.

**RESOLVED:**

**To accept the report**

**19. AUDIT WALES – SUSTAINABLE DEVELOPMENT? – MAKING THE BEST USE OF BROWNFIELD LAND AND EMPTY BUILDINGS**

A national report by Audit Wales was submitted, referring to the audit conducted in January 2024, to ascertain whether Local Authorities were doing everything within their ability to provide support and encouragement to re-purpose empty properties, non-domestic properties and empty brownfield sites into homes or for other uses. It was noted that Welsh Government were promoting the practice of using developed used land and re-purposing empty buildings, wherever possible.

The Council was asked to consider the findings and three recommendations of Audit Wales. The organisation's response to the recommendations and for the Committee to consider was submitted by Gareth Jones (Assistant Head of Environment Department). He highlighted that identifying and assessing potential sites was a part of the process of creating a new Local Development Plan for the Gwynedd Local Planning Authority Area. The process will call for thorough evidence of identifying sites that could be available to meet the development needs for housing and employment uses. The process will also include engagement and consultation to ensure the contribution of stakeholders and the public. It was reiterated that the Council had developed a Regeneration Framework for the County, which included 13 regeneration plans for local catchment areas which had been steered by the needs of local communities. The work of embedding these plans will happen in the coming months.

Gratitude was expressed for the response.

Matters arising from the ensuing discussion:

- The original document presumes the need for large-scale developments – not convinced that the bulk of the County's residents would welcome this.
- A tendency to use green land. If using brownfield and green land, will this edge towards over-development?
- That there was a shortage of houses in the County – there was a need to use every resource, every building and every empty house to meet the need – see the use of the report.
- The High Street was declining – empty shops – must consider different uses.
- Consider increasing the empty house premium.
- That there were good examples of how the planning system was collaborating with heritage and culture by bringing listed buildings back into use.

In response to the observations, it was noted that town / city centre regeneration was a national challenge, but locally, the change was something that needed to be addressed in the new Local Development Plan and in the Economic Strategy. It was reiterated that the Empty Homes Premium, Article 4 Direction and imposing holiday accommodation

conditions were all interventions which could address the housing needs of Gwynedd. In the context of converting listed buildings, care was needed not to undermine the historical character of any property, but support was available to facilitate the process.

#### **RESOLVED:**

- **To accept the report for information**
- **To welcome Managers' response**

#### **20. AUDIT WALES – SETTING WELL-BEING OBJECTIVES – CYNGOR GWYNEDD**

A report was submitted by Audit Wales, referring to an audit carried out in Cyngor Gwynedd which established how the Council applied the sustainable development principle throughout the process of setting its well-being objectives. It was highlighted that Cyngor Gwynedd had commenced the work of setting new well-being objectives during 2022, publishing seven new objectives in March 2023 as a part of the Council Plan for 2023 - 2028.

The Council was asked to consider the findings and four recommendations of Audit Wales. The organisation's response to the recommendations and for the Committee to consider was submitted by Dewi Jones (Council Business Service Support Manager). It was noted that it was proposed to identify suitable measures to measure progress against the well-being objectives as part of the review of the performance reporting arrangements. He reiterated that the work on mapping partners' well-being objectives had been completed to ensure that the objectives aligned and added value. He reiterated that work was also being done to extend the stakeholder networks when seeking to include people to reflect the full diversity of the County – an example of this was attempting to get members who were more representative of the County's population on the Citizens Panel.

#### **DECISION**

- **To accept the report, for information**
- **To welcome Managers' response**

#### **21. LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021 – PANEL PERFORMANCE ASSESSMENT**

An update was provided on the work of conducting a Panel Performance Assessment within the Council, giving the Committee an opportunity to provide input to the summary document, as well as identifying potential fields for the Panel to look at. The intention with the assessment is to look specifically at the degree to which the Council effectively discharges its functions, uses its resources prudently, efficiently, effectively and that there are effective governance arrangements to ensure this.

Members were reminded that the Local Government and Elections (Wales) Act (2021) placed a responsibility on the Councils to hold a Panel Performance Assessment once within the electoral cycle. At a meeting of the Full Council in September 2023, the function of organising and appointing a panel was placed with the Cabinet, but the response to the report on recommendations was retained for the Full Council. The Cabinet would also be responsible for establishing the terms of reference for the assessment and deciding the nominations for the Panel.

It was reported that the Council's Governance Group had already identified fields where the Panel's considerations would be welcomed and that any observations /suggestions by the Committee regarding potential fields for the Panel to consider would be considered by the Cabinet, before reaching an agreement on a final summary document.

It was reiterated that it was intended to finalise the summary document during July and subsequently, identify and confirm the Panel members over the summer before conducting a review in the Autumn. Subsequently, a report with recommendations was expected in December, with a report to the Governance and Audit Committee in 2025.

The members thanked the officer for the report.

Matters arising from the ensuing discussion:

- That conducting the assessment was a statutory requirement, therefore there was a need to accept the expertise available
- That there were managerial follow-up shortcomings within departments across the Council
- That there was a need to ensure that the correct skills were in the correct place in the Council – better planning was needed

**RESOLVED:**

- **To accept the report and update on the work of holding a Panel Performance Assessment within the Council.**

Note:

To consider workforce planning, succession planning and managerial follow-up as potential fields for the Panel to look at

## **22. TREASURY MANAGEMENT QUARTERLY UPDATE**

The Investment Manager presented a report on the actual results of the Council's treasury management during 2023/24 to December 2023, 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 prudent treasury management indicators every quarter with a review of the full financial year also to be submitted to the Committee when timely to do so.

It was reported that it had been a very busy and prosperous year for the Council's treasury management activity as the activity had remained within the limits originally set. It was confirmed that there had been no defaults by organisations with whom the Council had invested money and that the interest rates had been high and had generated substantial interest income.

On 31 December 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.

Reference was made to the Prudential Indicators, drawing specific attention to the Liabilities Benchmark, noting that it was an important tool to consider whether the Council was likely to be a long-term borrower or a long-term investor in the future, and therefore shaped the strategic focus and honed decisions. It was explained that the Council expected to continue to borrow above its Liabilities Benchmark up to 2027 because the Council held reserve funds, with the cash flow to date having been lower than the projections made when the money had been borrowed.



It was noted that all activities had complied in full with the CIPFA code of practice, except for one indicator (Interest Rates disclosure). It was explained that this indicator had been set during the low interest rates of February 2023 and therefore it was reasonable that the sums were so different. It was reiterated that this had been discussed at the last Committee and the matter was to be discussed further with Arlingclose to set a different indicator for 2024/25.

The members expressed their thanks for the report.

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

- That Gwynedd was very fortunate that there were sufficient reserves and that the situation was being monitored regularly
- Section 114 concerns were increasing within Councils – need to monitor the situation

**RESOLVED:**

**To accept the report for information**

**23. THE GOVERNANCE AND AUDIT COMMITTEE'S FORWARD WORK PROGRAMME UP TO FEBRUARY 2025**

A forward work programme of items were submitted for the Committee meetings up to February 2025.

**RESOLVED:**

**To accept the forward programme for 2024/25**

The meeting commenced at 10:00 and concluded at 13:30

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**CHAIR**