

## **GOVERNANCE AND AUDIT COMMITTEE**

Minutes of a meeting of the Governance and Audit Committee held in Council Chamber, County Hall, Ruthin and by video conference on Wednesday, 31 January 2024 at 9.30 am.

### **PRESENT**

Councillors Ellie Chard, Justine Evans, Bobby Feeley, Carol Holliday, Arwel Roberts and Mark Young (Vice-Chair)

**Lay Members** – David Stewart (Chair) and Nigel Rudd

Lead Member for Finance, Performance and Strategic Assets, Councillor Gwyneth Ellis and Lead Member for Health and Social Care, Councillor Elen Heaton

### **ALSO PRESENT**

Corporate Director: Governance and Business – Monitoring Officer (GW), Head of Finance and Audit (Section 151 Officer) (LT), Corporate Director: Social Services and Education (NS) Service Manager - Client Services Chief (KN), Internal Auditor (BC), Senior Committee Administrator (KJ) (Zoom Host) and Committee Administrator (SJ).

Audit Wales representative Mike Whiteley was also in attendance.

The Chair thanked Councillor Andrea Tomlin for her time on the committee and welcomed Councillor Bobby Feeley to the Governance and Audit Committee.

### **1 APOLOGIES**

Apologies for absence was received from Lay Member Paul Whitham.

### **2 DECLARATION OF INTERESTS**

Lay Member Nigel Rudd declared a personal interest as he was a member of the Conwy County Borough Council Governance and Audit Committee.

The Chair, Lay Member David Stewart declared a personal interest as he was a recipient of a Clwyd Pension fund pension noted in agenda item 6 and was a member on the Governance and Audit committee on Wrexham County Borough Council in relation to agenda item 9.

Councillor Arwel Roberts declared a personal interest as he was a recipient of a Clwyd Pension fund pension noted in agenda item 6.

### **3 URGENT MATTERS**

No urgent items were raised.

## 4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 22 November 2023 were presented for consideration.

Matters of accuracy –

Page 18 and 19 – Annual Corporate Health and Safety Report – The Chair stressed in future the report would be presented to the committee for information.

Matters arising –

The Chair informed Members he had received an email from Lay Member Nigel Rudd regarding the budget. He stated it was his intention to include as part of matters arising from the minutes.

Page 8 – Minutes – The Monitoring Officer confirmed he would arrange a meeting with the Chief Internal Officer before the next Annual Governance Statement.

Page 8 – Minutes – The Chair confirmed Scrutiny Chairs and Vice Chairs group would discuss shared prosperity and levelling up funding at the last meeting and it was decided a report would be presented to Performance Scrutiny for debate.

Page 9 – Minutes – The Monitoring Officer confirmed he had met with the Corporate Director: Social Services and Education regarding the Joint Inspection of Child Protection Arrangements. The letter has not been issued yet as a meeting with the regulators was arranged and a draft letter would be drafted following that meeting.

Page 10 - Corporate Risk Register: September 2023 Review – The Chair conformed an information report on the Risk Register would be presented to the Committee at the June meeting. The Chair informed the Committee he had met with the Lead Member and Officers to discuss what the Committee had requested and it was confirmed the guidance had been updated to reflect the Governance and Audit Committee's role in relation to risk management. It was also suggested a workshop specific to risk in the summer 2024. He stated he had discussed with the officers the committee's suggestion to receive a report quarterly. Officers confirmed it would look at the proposal and discussed with the Corporate Executive Team in March.

Page 11 – Budget Process Update – The Chair confirmed the role of the committee was not about the benefits of negatives of savings, it was for Members to receive assurance the process for the authority to balance its revenue budget for the future years. It was stressed Members agreed to receive budget process updates in June and November annually.

The Head of Finance provided a verbal update on the budget process. She informed the committee the full budget proposals were presented to Full Council for approval. The estimated level of pressures, the cost to provide services in 2024/25 compared to 2023/24 in total came to £24.5 million. Details of how that pressure would be met were provided to the committee. The net budget moved from £251

million to £265 million in 2023/24. There was no planned use of reserves in how the authority balanced the budget although details were provided of plans to use reserves to fund certain schemes.

Councillor Ellis and the Head of Finance highlighted the risks to Full Council. It was stressed it was a high level of savings that was needed to be found. It was made clear that tracking of those savings would be essential and reporting to Members through a variety of meetings.

It was also stressed at Full Council were the authority was in proposing the £3million savings requested to be proposed by Heads of Service. It was emphasised the difficulty in forecasting the pressures for the coming year in demand and inflation.

The Chief Internal Auditor confirmed he had met with the Corporate Executive Team and the Section 151 regularly over recent months to discuss plans going forward. He had proposed to meet with all Heads of Service to discuss budget pressures, identify areas for savings and report back to the Section 151 officer in the coming months. He informed Members finance officers would track the budget with internal audit officers testing the process in place for each of the systems. The audit work proposed would be completed throughout the year with certain audits taking place at the beginning of the year.

The Head of Finance proposed to bring a report to the Committee in April on the tracking process along with an outline of the budget strategy.

Lay Member Nigel Rudd, stated what he expected in relation to the budget process strategy going forward. In his opinion he would like to see a report back to Governance and Audit Committee on a stress test on the budget and the budget process. Within that report he would expect to see the 6 points identified by CIPFA on reasons why local authorities fail in section 114. Mr Rudd provided a brief summary of the 6 points; 1- over ambitious savings, 2 – lack of a medium term financial plan, 3- leadership, 4- inadequate governance, 5 – weak financial management and 6 – lack of reserves.

All these points had been identified in connection with section 114 authorities.

He also suggested other points to the proposed report include the use of the risk register to inform thinking explicitly in terms of high corporate risk. He agreed there had to be further information on the tracking of savings in line with proposals made by Heads of Service. He also suggested contacting Arlingclose for an opinion on the treasury management implications of the capital programme as projected going forward.

He suggested an update to the exit scheme would be beneficial in that report. providing details of how that scheme was progressing. He stressed the importance of separating cost savings with fees and charges generating income. He stressed the importance of looking at council tax increases and comparing to what was occurring elsewhere in Wales.

Another area suggested that needed Governance and Audit's views was business rates. It was suggested better communication with businesses and knowledge on what the business rates were used for would benefit the authority and the businesses.

Mr Rudd concluded by stating in his opinion he felt the terms of reference for Governance and Audit Committee, Council and Scrutiny Committees in sync. He stressed the need for Members to understand the requirements of each committee and what was expected from Members of committees.

The Lead Member thanked the Lay Member for his detailed questions and comments raised. She stressed a discussion with Head of Finance would need to take place to discuss the points raised. She stated last year the council tax had been set under the same understanding to balance the budget.

The Head of Finance thanked the Member for the comments. She agreed that some of the elements of the comments raised would be beneficial for the committee to receive in particular the CIPFA points around section 114. A number of the aspects raised needed further discussion and review. The March committee meeting deadlines may be too ambitious to address the concerns raised. The Head of Finance suggested a verbal update on the progress in March with a more formal paper presented to the committee at the April meeting.

The Monitoring Officer confirmed he would take away the meeting schedule for the next cycle of meetings to review if the ordering of meetings needs to be adjusted. It was the discretion of the Chair as to when to discuss the concerns raised by any Members of the Governance and Audit committee when he is made aware of any issues or concerns.

The Chair confirmed the Audit Wales timetable would be discussed under the Forward Work Programme agenda item.

***RESOLVED***, subject to the above that the minutes of the Governance and Audit committee held on 22 November 2023 be received and approved as a correct record.

## **5 CARE INSPECTORATE WALES INSPECTION (CIW) REPORT - DENBIGHSHIRE DOMICILIARY SUPPORT SERVICE**

The Chair stressed he was very pleased to read the report and its findings.

The Lead Member for Health and Social Care introduced the paper to the Committee (previously circulated). She explained to Members the uplifting report detailed the Care Inspectorate Wales (CIW) inspection report on the domiciliary support provision provided in Denbighshire.

The inspection had taken place in August 2023. It was pleasing to stress the positive nature and uplifting comments noted within the report. The report had been divided into three areas; wellbeing, care and support and leadership all of which received encouraging comments. The report did not identify any areas of improvement for the service. She offered her congratulations to the whole team and service in Denbighshire.

The Corporate Director: Social Services and Education, introduced Katie Newe, Service Manager - Client Services and the authorities Responsible Individual. The report made specific reference to that specific statutory role. Katie was also responsible for the residential care homes in Denbighshire. Inspections had also taken place by CIW on residential care homes had taken place within the last 18 months which had also been a positive read.

The Service Manager - Client Services stressed with any inspection the team were nervous and unsure on what the outcome would be. The success of all the inspections that had taken place were testament to the managers and staff all of whom are committed to offering a high level of care and quality support to the residents of Denbighshire.

Within the domiciliary support service there was around 57 cares, this figure does fluctuate. Members were aware of the recruitment to care crisis. Staff members were often asked to swap shifts, pick up work and was often a challenge to ensure the service met the need of the citizens. An array of support was offered within the service including health and social care workers, re-enablement workers, complex care works and care and support workers.

The inspection was the first completed under the new legislation. It was the first inspection for extra care. The inspection took place over 2 days, a desk top inspection and a site visit.

Although no areas of improvement were identified, the service looked at the review and looked at areas they could improve and make changes to improve the service.

Members heard the Responsible Individual role was for all providers of registered services. The intention of the role was to ensure there was an individual within the service that was legally accountable for the service. It was a big responsibility for the individual to hold. Within Denbighshire County Council there was a quality assurance policy which was developed to reflect all the requirements of the regulation.

The Chair on behalf of the Committee congratulated all involved in the service for the positive inspection and previous inspections. He stressed given the challenges faced in the service the positive report was a testament to the hard work all officers contributed.

Members heard the importance of offering the service through the language of each citizen was very important. It formed part of the support provided to each citizen.

The Monitoring Officer informed the committee, the authority had introduced recruitment controls, which required the majority of vacancies to be presented to the Corporate Executive Team for approval prior to advertisement. In respect to the voluntary exit scheme, it had been made clear that all staff can express an interest but not all would be granted to leave. There were two principal criteria that had to be taken into consideration; one being could the service afford to cope without that role and the second financial figures. The Head of Service for each service would be required to submit a recommendation on each individual member of staff if it was a role that could be made vacant.

The report had been shared with all staff following the inspection. It had been circulated at the time of being received and discussed in team meetings and one to one meetings. Officers stressed the service was under pressure from the challenges of recruitment and retention but were extremely grateful for the dedication and hard work of each individual within the service.

Officers also praised the work of voluntary care workers. A lot of care and support was offered to citizens prior to their need for paid care.

The report was published and made publicly available on CIW website. Officers confirmed they would discuss with the Lead Member and discuss with the communications team to promote the service.

The Chair concluded the discussion and thanked all for the discussion.

**RESOLVED** that the Committee confirmed it had read, understood and taken account of the contents of the report.

At this juncture (11.05 a.m.) there was a 10 minute comfort break.

The meeting reconvened at 11.15 am.

## **6 TREASURY MANAGEMENT**

The Lead Member for Finance, Performance and Strategic Assets along with the Head of Finance introduced the Treasury Management report (previously circulated).

Members were guided through the papers and the attached papers. The report contained the Treasury Management Strategy statement 2024/25. It was a requirement to approve a Treasury Management Strategy for the forth coming year, the scrutiny was completed by Governance and Audit prior to Full Council for approval. Also included was the quarterly Treasury management update.

Members had been in receipt of training provided by Arlingclose Ltd the treasury management advisors. The Head of Finance confirmed she would arrange a copy of the slides be made available for the new committee members and if required a meeting with one of the finance team to answer any questions. It was hoped the training was useful for all Members.

The Treasury Management Strategy 2024/25, had no material changes to previous years. It was a continuation of what the finance team had been doing. It was required that a number of aspects were included in the strategy including an investment strategy, prudential indicators and the minimum revenue provision.

The investment strategy took a prudent approach, that was in the main to invest any surplus cash available with the UK debt management office. The Treasury Management Strategy statement would include the requirement, detailing who the authority could invest with, the duration and any limits.

The borrowing strategy had been included and was a continuation of previous years' strategies. A long term borrowing requirement was in place due to the capital programme. The strategy was to monitor interest rates to lock in longer term interest rates at the optimal time.

The minimum revenue provision, detailed how the authority repaid borrowing through the revenue account. This was unique for local Governments there were no changes being proposed for this year.

Details of the reporting that would be completed during the year were included.

There were a number of appendices attached to the Treasury Management Strategy statement of which the Head of Finance guided Members through.

The quarterly update provided Members with up to date information on how the current years strategy was progressing. Since the last update, interest rates had fallen which resulted in some long term borrowing being taken. Dialogue with Arlingclose had taken place prior to the borrowing being drawn down. Members heard £26million had been taken from the Public Works Loan Board to fund on-going capital commitments.

The UK Infrastructure Bank offered finance to local authorities across the UK for high-value and complex economic infrastructure projects. Officers stated they were currently applying to borrow from the UKIB to fund the coastal defence schemes.

It was noted an internal audit had been completed in December 2023. A high level of assurance was received.

The Chair thanked the Lead Member and Head of Finance. He also thanked the officers for arranging the training with Arlingclose. In his opinion he felt it was very informative and beneficial to the Governance and Audit Members role in Treasury Management. He suggested that in future reports the Well-being Assessment could be omitted from the papers to make reading easier.

In response to members questions the following areas were discussed in greater detail:

- Information around the timescale of the borrowing from UK Infrastructure Bank would be circulated to Members. It was hoped the funding applied for would be received in the coming months.
- Interest rates do make a difference to cash flow. A revenue support grant was received from Welsh Government monthly which helped support certain items such as payroll for employees. Any investments the authority had were invested to maximise yield. The authority did not chase the rate of interest, the authority invested securely and in a way that if the funds were needed the authority had access to it.
- Although yield on investments was higher the cost of borrowing was also higher and outweighed the yield from investments.
- There were 2 major flood defence schemes. The total cost of those schemes was in excess of £90million. It was a requirement to complete to protect a number of residential and commercial properties. The authority was committed to those schemes. The schemes were 85% funded by Welsh Government and 15% by the local authority. The scheme is set that Denbighshire County Council borrow the total amount required for the schemes to be later reimbursed by Welsh Government through the revenue support grant. Legal agreements were in place that provided a degree of protection. Welsh Government would pay back the required amount over a period of 25 years.
- The flood defence scheme was Denbighshire's asset.
- There were clear links between the authorities borrowing and capital. The capital strategy report was fairly new that had been introduced by CIPFA. The Head of Finance confirmed she would look into if the Governance and Audit committee would benefit from having sight of the Capital related Prudential Indicators.

- Further detail and information on the medium term capital strategy would be provided in the future. There had been changes to the medium term strategy during the budgetary process which Members would be made aware of in the next update report.
- The Head of Finance was unaware the contract between the authority and Arligclose was specific in that it stated who to contact regarding any concerns if the Section 151 Officer was not available. She stated she would take that forward and discuss with Arligclose to ensure they were aware of who to contact.
- In the opinion of the Head of Finance, she felt sufficient resources would be available to cope with sudden changes in market conditions. Treasury Management was a skilled area of finance which did require specific training.
- The table detailed within the Treasury Management Strategy Statement and Investment Strategy was in relation to the net position of borrowing and investments. It indicated all borrowing could be fixed with limiting exposure to variable rates.

**RESOLVED** that;

- I. the Committee reviews the Treasury Management Strategy Statement for 2024/25 and the Prudential Indicators for 2024/25, 2025/26 and 2026/27.*
- II. That members note the Treasury Management update report.*
- III. That the Committee confirm that it has read, understood and taken account of the Well-being Impact Assessment.*

## **7 REGULATION OF INVESTIGATOR POWERS ACT 2000 ANNUAL REPORT**

The Corporate Director: Governance and Business – Monitoring Officer introduced the Regulation of Investigation Powers Act 2000 annual report (previously circulated).

The report covered the period from July 2022 (previous report to committee) to the end of the calendar year 2023.

Members were made aware since the preparation of the report and preparation of the agenda pack, the Investigatory Powers Commissioners office had contacted the authority to inform officers the 3 yearly inspection was due.

It was stressed that during the reporting period the authority had not made use of any of the powers. The reason for this had been due to the Protection of Freedoms Act introduced 10 years ago changed the way in which the powers worked. The Act stated the RIPA Powers could only be used for serious matters and investigations. The RIPA legislation permitted local authorities to authorise directed surveillance.

One of the reasons the RIPA powers were no longer used was to a number of the reasons for its previous use no longer qualified due to the implications not of not carrying a custodial sentence. Also good practice was the authority demonstrated alternative methods to obtain information without the use of intrusive surveillance.

Members heard the way in which the inspections were being carried out via a desk top inspection. Which started with a letter, with a number of questions which may result in a remote inspection, with a number of random authorities being selected for an in person inspection.



The Chair asked about the refresher training that is offered to officers, he was pleased to see training was provided to certain officers but asked for reassurance that other members of staff were not unknowingly breach the regulations.

In response the Monitoring Officer stated officers who were employed in the regulatory environment, such as trading standards had their own professional training.

Awareness training had been offered and conducted with other departments, where there was the potential for surveillance to be carried out unknowingly such as the use of social media files. The only officers that could authorise surveillance was members of the Corporate Executive Team. It was stated another training session would be held this year.

***RESOLVED***, that the Committee receive and acknowledged the report and note the contents of the report and the attached policy document.

## **8 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME**

The Governance and Audit Committee's Forward Work Programme (FWP) was presented for consideration (previously circulated).

The next Committee meeting was scheduled for 6<sup>th</sup> March 2024. Included on that proposal was the Statement of Accounts Closedown. Audit Wales representative Mike Whiteley informed Members there was capacity issues within Audit Wales and the report would not be ready in time for the March meeting. He asked for Members agreement to defer the agenda item until the April Committee meeting. He offered to present a verbal update at the March meeting to inform Members are informed on the progression of work.

Members were in agreement to receive the final report in April with a verbal update on progress at the March meeting.

The Chair highlighted the Draft Statement of Accounts and Statement of Accounts needed to be included in the Forward Work Programme.

Members raised concern on the weight of a number of the items often listed on the FWP and Committee meetings.

The Monitoring Officer confirmed an Audit Wales report entitled 'Use of performance information: Service user perspective and outcomes' was agreed to be presented as an information report to the committee.

The Chair also stated an information on the Teckal assessment arrangements had to be included on the FWP.

Members heard the Annual report on the constitution was a report presented to the Committee to review amendments and to ensure delegations are recorded correctly. The report was presented to Governance and Audit Committee prior to it being presented to County Council for ratification.

The Chair guided Members to the proposed agenda for the April Committee meeting. He stressed the agenda had numerous agenda items which were all substantial agenda items.

He asked for Member suggestions on how to elevate the meeting or future meetings. He encouraged Members to email him outside of the meeting with any proposals. Councillor Mark Young agreed the proposed agendas do look heavy but stressed the importance of debating the agenda items in full and thoroughly.

The Monitoring Officer stated he will speak to Officers with regards to any agenda items being deferred to a later meeting.

The Chair informed Members he had suggested to the Chief Internal Auditor of combining the Internal Audit Update and the Internal Audit Annual Report to form one report.

The Chair stressed he felt it would be beneficial for the Chair, Vice Chair and officers to meet to discuss the FWP and look at the proposed agendas.

Members confirmed a number of the proposed future agenda items had lapsed and may not be relevant. Officers agreed to have a look and review the proposed future agenda items.

The Chair suggested included on the training session on Internal Audit – Assurance ratings a section on audit scoping was provided along with the role of Internal Audit. Members also agreed that a session on self-assessment be included as a future training session.

Also a training session on new procurement rules and regulations may be beneficial to Committee. The Monitoring Officer stated he would contact Procurement to look at a timescale to hold a training session.

***RESOLVED*** that, *subject to the above the Governance and Audit Committee's forward work programme be noted.*

## **FOR INFORMATION**

### **9 OMBUDSMAN ANNUAL LETTER 22/23**

The Chair introduced the information report which detailed the Ombudsman for Wales annual letter for Denbighshire County Council in relation to complaints received.

The Monitoring Officer explained the annual report had two focuses, public service complaints and code of complaints. The Standards Committee received the report in respect of the complaints made against code of conduct.

The paper provided Members a picture of the Ombudsman's work across Wales. The annual complaints report that was reported to the Committee would be more focused on Denbighshire County Council complaints.

The paper also included some of the Ombudsman's intended work over the coming year.

**RESOLVED** that Members of the Governance and Audit Committee note the information report.

The meeting concluded at 12.25 p.m.