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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, 23 November 2022 at 9.30 am.

PRESENT

Councillors Ellie Chard, Justine Evans and Carol Holliday

Lay Members Paul Whitham, Nigel Rudd and Dave Stewart

Cabinet Members – Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets.

Councillor Julie Matthews – Lead Member for Corporate Strategy, Policy and Equalities.

ALSO PRESENT

Corporate Director: Governance and Business – Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (BC), Interim Head of Service - Strategy & Performance, Projects, Climate Change, Community Development, Internal Audit (NK), Interim Head of Legal, HR & Democratic Services (LJ), Interim Head of Business Improvement and Modernisation Services (BE), Strategic Planning & Performance Officer (EH), Chief Accountant (RE), Auditor (SW), Committee Administrator (SLW) (Zoom Host) and Committee Administrator (SJ & NH).

Audit Wales representatives Mike Whiteley and Gwilym Bury was also in attendance.

1 APOLOGIES

Apologies for absence were received from Councillors Elfed Williams, Merfyn Parry and Mark Young.

2 DECLARATION OF INTERESTS

The Chair, lay member David Stewart declared a personal interest in agenda item 5 – Corporate Risk register as he was a member of the Wrexham County Borough Council Governance and Audit committee of which was referenced in the papers. He informed the committee in relation to agenda item 9 – Statement of Accounts he was a member of the Clwyd Pension Fund which he was in receipt of.

3 URGENT MATTERS

There were no urgent items.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 04 October 2022 were presented for consideration.

Page 8 – Minutes – The Chief Internal Auditor confirmed the WLGA online training module was a separate area of training to Treasury Management. The online module was in relation to the work of the Governance and Audit committee as a whole. He confirmed once the module was made available he would inform members.

Page 13 – Governance and Audit Forward Work Programme – The Chair confirmed he had requested that in future annual Fire Safety reports, further detail on compliance of fire measures were included.

RESOLVED, *subject to the above that the minutes of the Governance and Audit committee held on 04 October 2022 be received and approved as a correct record.*

5 CORPORATE RISK REGISTER

The Chair thanked the officers and Lead Member for the detailed report. He recognised the detailed work incorporated in the register and noted it may be beneficial to have a future training session on the Risk Register.

The Lead Member for Corporate Strategy, Policy and Equalities, Councillor Julie Matthews introduced the report to provide an update on the Corporate Risk Register Review, September 2022. The report asked Governance and Audit to review the risks facing the council and the risk appetite statement.

The Corporate Risk Register was developed and owned by the Senior Leadership Team (SLT) and Cabinet. It was reviewed twice every year by Cabinet at Cabinet Briefing.

The Strategic Planning and Performance Officer, Emma Horan confirmed the report was seeking assurance from members that risk management had been managed appropriately. An update of the latest review was also included. The risk appetite statement looked at the level of appetite the authority had in pursuit of its objectives. Officers requested members approval for an amendment to the statement.

Members heard that certain risks within the risk register had been escalated including Risk 01- Safeguarding where officers had applied extra management controls to manage the risks. CET were reviewing the risk on a monthly basis, in particular focusing on controls that are implemented to control the risk.

It was highlighted that the Corporate Risk Register had of late become very interconnected with a number of risks crossing over.

A review of the changes to the risks had been included within the covering report.

A review of the Risk Appetite Register with Cabinet members to review the register to ensure the correct level of risk was adopted. The Governance and Audit committee were responsible for the process and the methodology of the risk strategy. Due to the changing economic situation it had been proposed to amend the minimalist risk appetite in relation to Workforce: Terms and Conditions to a cautious appetite, to reflect the way we are 'flexing' recruitment processes – in a safe way – to alleviate challenges in filling roles. The reason for this change had been to try to resolve the issues faced in recruitment and retention, those processes needed to be more flexible.

During discussions the following points were made –

- Risks are highlighted during conversations during the biannual reviews with CET and Cabinet. A number of factors are considered and discussed when reviewing new risks. Risks can also be identified by services raising concerns to senior officers.
- Inherent risk is the full exposure level of that risk with the residual risk score took into account the mitigated actions that are in place. Any concerns on achieving the actions would be reviewed at the twice yearly meeting. Meeting and conversation with department, officers and Lead Members took place when a new risk is identified.
- New mitigated actions are monitored by service business plans.
- The Monitoring Officer confirmed the information contained in item 11 on the agenda was relevant when debating the amendment to the risk appetite and confirmed if members referred to that information that was reasonable.
- Members noted the close connectivity between a number of the risks. All of which had contributed to the challenges faced by the authority.
- Officers noted members suggestion of a picture map or table to identify risk changes or movements and would consider with the team.
- A report was scheduled for the January Governance and Audit committee meeting on recruitment and retention. Members also heard internal audit was also undertaking a review on recruitment and retention which would be presented to the committee following completion.
- Regional and National discussions had taken place with representations from Denbighshire in attendance. Those meetings had been to discuss recruitment and retention issues across the different authorities and partners.
- An Audit Wales report on workforce issues had been published earlier in the year.
- Risks emerge on the Corporate register when first apparent. The risks listed to be removed were historic and the actions and risks had been carried out and reviewed.
- Members suggested an impact of negative culture to potentially be added to the risk associated with fraud. Officers confirmed they would take the suggestion away for discussion with the risk owner.

The Chair thanked the officers for the detailed report and answers to members comments and concerns. Members were in agreement for some additional training on the Corporate Risk Register.

RESOLVED, that members note the risks, scores and controls included in the Corporate Risk Register (appendix 1), including the status of each risk against our Risk Appetite Statement (appendix 2). Also the committee considers the risk appetite statement and accepted the verbal update on any changes (appendix 2).

All members were in agreement to endorse the proposal to amend the Corporate Risk Appetite Statement.

Due to technical issues a 5 minute comfort break was observed (10.32. a.m.)

The meeting reconvened at 10.38 a.m.

6 ANNUAL SIRO REPORT

The Interim Senior Information Risk Owner (SIRO) guided members through the annual report (previously circulated).

The Chair thanked the officer for the report and confirmed it provided members with depth and information on the Council's information guidance.

It was explained to members the SIRO was the individual responsible for all information governance across the council. The SIRO stated he took on the role in April 2022.

The report covered the period from April 2021 to March 2022. It provided information on the Council's information governance. It included information about data breaches of the Data Protection Act that have been subject to investigation by the SIRO. It was stressed that the Council's Data Protection Policy required an annual report on progress to the Governance and Audit Committee to allow Member oversight of the process.

An increase in investment into safe management of data had allowed for extra information to be included in the report. Including:

- Greater engagement with Schools
- Additional dedicated officer time made available in Legal Services
- An effective cross-council collaboration in the form of the Information Governance Group, chaired by the Council's Senior Information Risk Officer
- Awareness raising across all services through training and dedicated support

Members heard despite the additional investment data breaches had still occurred. It was his opinion that given the amount of data that is handled and transferred the number of breaches was low.

Between April 2021 and March 2022, 36 breaches were recorded an increase of 14 from the previous year. It was a significant increase; the SIRO did comment he had concern that it may be linked to the change in working environment. Work around solutions for this were being undertaken including research in the use of auto filled email addresses when sending emails. Awareness training was being provided in areas of the authority where breaches were higher.

The SIRO guided members through the concerns and statistics that had been included in the report.

The Chair thanked the SIRO for the detailed introduction and report. Members thanked the SIRO for the detailed tables in the report that illustrated the trend for the previous 8 years.

Members heard when a breach of data was recorded it was presented to an internal panel made up of Officers. It was at that panel that decided if the breach needed escalating. If escalated to the SIRO a further meeting would be held with the service and legal for any further referrals to the Information Commissioner's Office that may be needed.

RESOLVED that the Governance and Audit Committee note the contents of the annual Senior Information Risk Owner report.

7 CAPITAL PROCESS AND THE FUTURE OF THE STRATEGIC INVESTMENT GROUP

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

The purpose of the report provided an update to members on the proposed new capital budget setting process and draft changes to the Terms of Reference and name of the Strategic Investment Group. Cabinet were in support of the proposed changes.

Members were directed to section 4 of the cover report which provided details of the reasons for change. One of the strongest reasons for change had been to adopt a more strategic approach to reviewing capital bids. The proposal aimed to reduce the chance of reviewing bids in isolation but to collate the bids into an annual process. To allow for the best decisions to be made with regard to capital funding.

The proposal included a new group called the Capital Scrutiny Group to be created. The group would scrutinise business cases and capital budgets. The group would not make any decisions. If the group were not in support of a project, it could still be provided to Cabinet for discussion and resolution.

If members were in support of the proposed changes and Cabinet in December agreed the constitution would need to be amended. Members also heard that if approved a full guidance pack would be created for project officers and services. Thus to ensure compliance with the process and how to complete the business case.

The report also included details of the proposal to have separate approval arrangements for fully grant funded projects and below £250k. Research had taken place to see what other local authorities allowed.

The Chair thanked the Lead Member and Head of Finance for the detailed introduction to the proposals.

Following the introduction members discussed the following in more detail:

- The Head of Finance agreed the report needed to include reference to the 100% grant funding schemes.
- A glossary would be helpful and beneficial to the reader of the report. Including a brief summary explaining each terminology.
- The process included in the council's constitution allowed Cabinet to approve individual capital schemes, with the annual Capital Plan requiring approval from full Council. Currently of projects are under £1mil the Strategic Investment Group could grant approval, if over £1mil Cabinet would have to approve and over £2mil the proposal had to be presented and approved by full Council.
- All project proposals that are not fully grant funding would have to be presented to Capital Scrutiny Group.
- The capital budget was due to be set in December for Cabinet approval in January.
- A suggested addition to the core functions of the Capital Scrutiny Group element of the report was raised. It was suggested 'refer to experiences of previous decisions/ projects' be inserted at the start of the first bullet point. The Head of Finance confirmed he would have a look at the section to ensure previous experience was included as a core function.
- It was stressed to members that a request had been made to Internal Audit to complete a review including before and after implementation if approved. The Chief Internal Auditor confirmed a mini audit was scheduled.
- The new Capital Scrutiny Group would aid in the support of putting the business cases together, providing members time to ready the cases.
- It was confirmed if the Chair of the group deemed a proposal needing Cabinet approval it could be presented to Cabinet for debate.
- It was noted the rising costs of inflation and how that may affect a proposal.

Members thanked the Head of Finance for the detailed responses to members comments and concerns.

RESOLVED that the committee were in agreement to proceed with the consultation and decision making process and the committee discussed and debated the changes to the capital process including the terms of reference to be reported back to Cabinet.

8 BUDGET PROCESS UPDATE

The Head of Finance introduced the budget process update report (previously circulated). It was highlighted that in the attached appendix the figures quoted were slightly out of date, due to the deadline for the reports. The figures included were a snapshot at the time of writing.

Members were guided to the timetable, which set out the tight timetable for the 2023/24 budget process. It was confirmed that service budget meetings had

concluded. The Head of Finance stated he was pleased with delivery of those meetings and the discussions that occurred.

On the 17th November – UK Government Autumn Statement was released. This provided the authority with the next two years predicted budget. It was stressed that the best case scenario was a disparity from expected government funding and inflation and demographic pressures.

Sessions for political groups had been arranged to discuss the budget process along with any suggestions or concerns.

A Council workshop had been arranged for the 17th January to brief members on the potential proposals for the budget settlement for 2023/24 and 2024/25. The proposals had included the use of cash reserves in 2024/25. This would allow time for services to review and sought savings.

Members were guided through the scenarios within the covering report. It was his opinion the likely outcome would be in line with scenario one. Details of the two reserves available for the purposes of supporting the budget were:

- Budget Mitigation Reserve – which currently stood at £4.85m
- Unearmarked reserves – an adopted policy to keep £5m unearmarked Reserve was observed. Currently the value stood at £7.1m.

Members heard there were a number of factors that could change depending on guidance and figures from Welsh Government. He stressed the importance to begin the work to review and find savings for 2024/25.

The Chair thanked the Head of Finance for the well written report. In response to members comments the following points were discussed in greater detail:

- Members noted the difficulty and challenges faced by the finance department and praised the work of the officers involved.
- The proposed potential plan for 2024/ 25 was the RSG would rise by 3.5%, the current proposal included council tax to rise by 3.8%- it was stressed the figure was under review. An increase in fees and charges had been suggested although a number of restrictions were associated with this proposal. It could potentially change during the process.
- The Head of Finance confirmed he produced a 3-5 year outlook. Future planning can often be difficult to predict due to the reliance on Capital funding.
- The £5m reserve funding was believed to be an appropriate level of funding. It had been obtained from the analogy of 2% of net revenue expenditure. Within the Statement of accounts, a detailed breakdown of all reserve funding was detailed. This included some funding which was allocated for specific plans.
- There was a recommended reserve of 4% for the Housing Revenue Account. This was currently under review to potentially be lowered. Income received through this account was mainly from rent so was easier to predict than the level of Capital funding.
- The national non domestic rate and business rate collection and reallocation was not based on a local collection. Collections were made on behalf of Welsh Government that was pooled together to aid support of the revenue support grant.

- Consultation with local businesses to provide extra information on the budget would be needed. Public understanding on the budget and services could also be improved. Consultation had been difficult due to the uncertainty of the level of funding that would be obtained.
- The Visitor Levy was currently in consultation at Welsh Government, Denbighshire had prepared and submitted a response. Concerns from officers had been on the delivery of that potential scheme.
- Information on the second homes council tax premium would be issued to members imminently. There was no proposed change to the level for 2023/24, which currently stood at an additional 50% tax.
- Committee members offered support to the Head of Finance, especially when difficult decisions were made. The Head of Finance requested that members keep in mind the financial background when reviewing reports and the potential knock on impact on funding of other services in the council. The level of delivery of services would have to change in the upcoming years. The current level of services would not be an option if the current projections of funding were received in 2024/25.

Members thanked the Head of Finance for the detailed response to members concerns. Following the discussion, it was;

RESOLVED, that members

- I. *Noted and discussed the latest budget timetable for setting the budget for 2023/24 and 2024/25;*
- II. *Noted the latest budget forecasts for the budget position for 2023/24 and 2024/25;*
- III. *Agreed to include an update on the Budget Process at the January 2023 meeting.*

9 PROGRESS UPDATE ON STATEMENT OF ACCOUNTS 2021/22

The Head of Finance introduced Mike Whiteley from Audit Wales who was also in attendance to present the report to members.

The report explained the reasons why the Statement of Accounts for 2021/22 were not being presented to the committee. The approved Statement of Accounts were not in a position to be presented, mainly been due to the infrastructure and assets issued had not been resolved.

The Head of Finance stated he understood the views of Audit Wales not wanting to sign off the accounts without the new legislation. It was hoped the accounts would be ready for the next committee meeting.

The Wales Audit representative, confirmed it was a nationwide issue not confined to Wales. With similar concerns raised by auditors in other areas of the UK. Once the legislation was passed the technical team would assess guidance for auditors.

Members were reminded of the concern raised in the draft statement of accounts around rising inflation. Thus having an impact on asset values and those replaced

from cost. An agreed approach with Audit Wales had begun to address the concerns.

Members heard of the positive relationship between Denbighshire officers and Audit Wales. Thanks was given to each party for the continued close working.

The Chair thanked the officers for the update and hoped the accounts would be ready for the next meeting.

RESOLVED that members note the progress update on the Statement of Accounts 2021/22.

10 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

The Monitoring Officer confirmed a Budget Process update report to be added to the January 2023.

The report entitled workforce planning description should be to focus on recruitment and retention.

It was noted officers were hopeful the Statement of Accounts would be available for the January meeting.

The Monitoring Officer confirmed he would liaise with colleagues to find a suitable date for a report on the complaints process and the Performance Self-assessment to include in the FWP.

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

11 INFORMATION REPORT - RECRUITMENT AND RETENTION ISSUES IN SOCIAL SERVICES

The Chair explained the report was for information.

RESOLVED, that members noted the contents of the information report.

Councillor Bobby Feeley applauded the Chair and the independent members for the detailed questions and debate raised during the meeting.

The meeting concluded at 12.40 p.m.

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