

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in COUNTY CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE on Wednesday, 8 March 2023 at 9.30 am.

PRESENT

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

Lay Members Paul Whitham, Nigel Rudd and Dave Stewart

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

Councillor Barry Mellor – Lead Member for Environment and Transport.

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 Business Improvement and Modernisation Services (NK), Climate Change Programme Manager (HVE), Committee Administrator (NH) (Zoom Host) and Committee Administrator (SJ).

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

1 APOLOGIES

Apologies for absence were received from Councillor Elfed Williams.

2 DECLARATION OF INTERESTS

The Chair, Lay Member David Stewart raised a personal interest in agenda item 6 – Progress Update on Statement of Accounts 2021/22 as it referenced Clwyd Pension Fund of which he was a recipient of. In addition, he informed the committee he also sat of Flintshire County Council's Governance and Audit Committee.

3 URGENT MATTERS

There were no urgent items raised.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 25 January 2023 were presented for consideration.

Matters of Accuracy – None

Matters Arising – Page 6 –Minutes – Paul Whitham asked for an update on training. The Chair confirmed a schedule training plan would be beneficial for members. It was his understanding dates were being sought to confirm dates. He confirmed a training session had been arranged for the 25 May 2023 on the new CIPFA guidance. It was thought that session would highlight areas for training and would populate the training plan.

The Chief Internal Auditor confirmed dates for June, July and September 2023 were being sought. He informed the committee a training session on the Statement of Accounts would be provided at the July or September training date.

Page 9 - Recruitment, Retention and Workforce Planning – The Chair confirmed he would raise the recommendations at the Scrutiny Chairs and Vice Chairs Group meeting. In addition, the Chief Internal Auditor confirmed the Internal Audit review of Workforce Planning was scheduled to commence on Monday 13 March. Members heard within the scope of the document the report did not look at older generation returning to work but addressed employees nearing retirement age remaining in posts up to their retirement.

Page 13 – Budget Process Update – Lay Member Nigel Rudd asked for an update on the communication plan that was to be presented to CET and Cabinet. The Monitoring Officer confirmed the consultation with trade union had taken place. He confirmed he would contact the member outside the committee to provide further information.

RESOLVED, subject to the above that the minutes of the Governance and Audit committee held on 25 January 2023 be received and approved as a correct record.

5 AUDIT WALES REPORT - PUBLIC SECTOR READINESS FOR NET ZERO CARBON BY 2030

The Chair welcomed Councillor Barry Mellor Lead Member for Environment and Transport along with the Climate Change Programme Manager to the meeting. The report had previously been presented for information to the committee. At that time the committee decided it wanted to receive a formal report for discussion.

The Lead Member for Environment and Transport introduced the report (previously circulated) to members. The report summarised the Audit Wales Report of Public Sector Readiness for Net Zero Carbon by 2030. It provided members with the Officers' responses to the five Calls for action (appendix2).

He stressed to members the reason for the report was to ensure Members were kept informed of and able to scrutinise observations and actions following an external audit relevant to Denbighshire County Council.

The Climate Change Programme Manager thanked members for the invitation to present the report to members. She reminded members that the Authority had a legislative duty within Wales to meet net zero omissions in Wales by 2050. A specific ambition from that was the Net Carbon Zero Welsh Public Sector by 2030.

Since 2021 Welsh Government had requested that all Public Sector Bodies in Wales to report on their carbon omissions annually.

Members heard that Audit Wales had undertaken an in depth review of Denbighshire County Council in December 2020 to June 2021 on this topic, specifically its ability to deliver on its environmental ambitions. The final report was issued in October 2021 and reached the conclusion that the Council was making excellent progress in embedding its environmental ambitions.

Although Audit Wales did not make specific recommendations in their Report of Public Sector Readiness for Net Zero Carbon by 2030 given the high-level nature of their review, the report offered five Calls for Actions for organisations to consider. Members were guided through each as detailed in the report.

She highlighted the usefulness of appendix 2 of the Audit Wales report in visualising the legislative and policy framework underpinning decarbonisation.

This report was concerned by decarbonisation only and the public sector readiness to meet that net zero goal.

Gwilym Bury, Audit Wales representative confirmed a piece of work had been conducted by Audit Wales and was a positive report. The key part of the report was the Management Responses and what the authority intended to do in line with the actions.

The Chair thanked the officers for the detailed introduction.

During the debate the following areas were discussed in more detail:

- There were no plans to include omissions from retained social housing stock that of other social housing providers, private rented sector housing and owner occupied housing within the Net Carbon Zero targets. Both for Welsh Government Public Sector targets and local Climate and Ecological Change Strategy Net Zero Council by 2030 target. There was legislative responsibility to reduce carbon from housing.
- Homeworking had started to be measured from 2021/22 data. It was thought, Denbighshire would include that carbon data within the local net zero measurement following the review of the strategy. For the year 2021/22 the omissions from staff homeworking equated to 3.68 tonnes, compared to the carbon omitted by staff commuting to work of 2141 tonnes. Asking employees to work from home did not increase the carbon as much as the saving made from not commuting.
- Audit Wales did a review of Council Housing Stock in 2018. Although the Welsh Housing Equality Standards did not specifically mention carbon targets, it did include energy efficiency targets. The Welsh Government was currently consulting on a new standard to replace the Welsh Housing Equality Standard.
- Each source of omission had a target for 2030, which had been divided by 9 to give an annual target. It was all recorded on Verto and reported annually.
- The budget associated with the Climate and Ecological Change programme it was money for staffing and resourcing. Money was also budget for capital, funded through prudential borrowing. That was currently at £8.38million, the Authority was committed for the first three years of the Strategy. Officers had been successful in drawing down external grants to reduce the borrowing burden on the council.

- Members asked if the Carbon literacy training could be made available for the Lay Members of the authority. There was an e-learning course on Introduction to Climate Change. All employees had been asked to complete this learning. Members asked if an email with training details could be circulated to members.
- The Net Carbon Zero fed into the programme of work across Council, the ability to feed into strategies such as the workforce planning strategy had to be reviewed slightly differently. Each Service had a workforce plan to review the service needs to ensure staff capacity was met to achieve all objectives.
- Officers apologised for the oversight of not including supply chain omissions in the managers' response on A5. Supply chain omissions were monitored and reviewed and annually reported to Welsh Government. A local target for reduction of 35% of supply chain omissions by 2030 was worked towards.
- The authority did not hold monies to invest in the long term. Investments were on a temporary, short term basis. The funding for this strategy was solely being borrowed.
- There was a new asset management strategy under the approval process currently. It was going through the political process for consultation. Partnership working with third parties was evident such as holding the Coroner's office in County Hall amongst others. It was hoped future partnership working would take place.
- Officers stressed it was a challenging target by 2030. The targets set were ambitious but officers were exploring every avenue to reduce carbon across the council.
- It was noted that the Council demonstrated Leadership in the adoption of the strategy, Political leadership was demonstrated through the Lead Member and endorsement from all members. The Chief Executive had shown leadership as Strategic Lead for the Climate and Ecological Emergency Response. As an authority a strong commitment was demonstrated to deliver of the strategy.
- Corporate risk 45 was an explicit risk around not meeting the targets set. It was monitored by the corporate risk management methodology.

The Chair thanked the officers for the detailed response to members' questions. The Monitoring Officer suggested the committee receive a report on the review of the strategy prior to it being presented to Full Council to provide assurance to member's concerns.

The Chief Internal Auditor confirmed he had pledged that from April 2023, auditors would ask at every audit what each service area was doing for the carbon reduction initiative.

Members heard an additional annual performance report would be completed. This would include a self-assessment around key governance areas such as this programme.

RESOLVED,

1. *That Members considered the report, the associated five calls to action, the identified need for organisations to be bold and innovative and the statement*

- that the Auditor General will not criticise organisations for taking well-managed risks to address this unprecedented challenge.*
- II. That Members consider officers' responses to the five calls to action, providing feedback as appropriate.*
 - III. That members agreed that a communication be circulated to members including the Audit Wales Report and the Managers Responses.*

6 PROGRESS UPDATE ON STATEMENT OF ACCOUNTS 2021/22

The Lead Member for Finance, Performance and Strategic Assets introduced the report (previously circulated). The Committee had delegated responsibility to approve the audited accounts which was hoped to have been presented to the committee on 8th March 2023. This had not proved possible and the report provided the reason.

The Head of Finance added the report provided an update to members were the process was up to. He highlighted the close working relationship with Audit Wales, and was pleased that an agreed approach to finalise the accounts had been reached.

He stressed the issues raised had been in relation to two separate reserves, in the unusable reserve note in the Statement of Accounts. He reminded members that the unusable reserves were reserves that did not impact the financial standing of the Council as a publically funded body.

Members were provided with some history and reasons why the papers were delayed.

Members heard there were two issues, one being a change to the Accounting Code that had been implemented in a way which should have implemented differently. Officers accepted the alternative implementation was the correct method and was in agreement to make the necessary changes.

The other issue that had been raised was around the method the council accounted for council house dwellings. The asset register listed each house, but the method adopted when calculating the in year spend had been on the asset type level. This was highlighted by Audit Wales and requested the asset register be amended. An issue had aroused when looking at the data, not having historic management information to assign assets accurately historically to 2007/08. Once an agreed approach had been reached to apportion those costs back to 2007/08. When officers began this approach it became clear that there were no accompanying working papers to the asset register that far back. Following further discussions with Audit Wales it was agreed to go back as far as 2016/17. Members heard 2016/17 had been the last time Council dwellings were fully revalued.

The Head of Finance stated since writing the report, officers had internally completed the work. It would be presented to Audit Wales for discussion and to ask if they want sight of that work. It was hoped that accounts could be progressed following those discussions to be presented to the committee in September 2023.

He offered his thanks to Audit Wales for the continued close working and support in completing the work. It was stressed that due to the additional work on the Statement of Accounts 2021/22, Finance officers were behind on other projects.

The Audit Wales representative Mike Whiteley, thanked the Head of Finance and his officers for the discussions and challenges during meetings. It was important that officers felt able to ask and challenge opinions and judgement. In his opinion he agreed the joint working had been positive.

He stressed to members the aim to complete the 2022/23 work by November/December 2023 was consistent with all other Welsh Authorities.

It was suggested by members that a note be circulated to members following the meeting on the knock on effects, on the severity and the timeframe of the potential consequences on the delay. A quick update email could be circulated to members for information.

Members heard that Denbighshire was currently the last authority to resolve this current issue. Similar issues had been raised and resolved in other authorities over previous years.

The Audit Wales Representative informed the committee, Audit Wales had looked at the issues in previous years. Audit Wales audited a sample of the accounts. Particular circumstances for this year had been the valuation uplift, that uplift of properties identified this specific issue.

Audit Wales were in agreement that the September deadline was achievable.

The Head of Finance stressed due to Welsh Government changes, no Welsh Authority had accounts authorised before January 2023. He stressed the plan of work going forward enabled him to make arrangements around the deadline dates.

On behalf of the Committee, the Chair thanked all officers for the assurance provided on the work completed and the work ongoing. Members were reassured that other than the issued discussed Audit Wales had not raised any other major concerns.

The Head of Finance stated he was happy to discuss concerns with members or the public if any questions were raised.

Members were reminded that the Annual Governance Statement was included in the Draft Statement of Accounts which had been published. There had not been any changes to the Annual Governance Statement.

The Audit Wales Representative stressed if it was published without the Statement of Accounts it would have to be unaudited at that stage.

RESOLVED, that members note the update report.

7 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 members had agreed to include an update report on Net Carbon Zero, he stated the review was ongoing for the next 12 months. He

suggested a follow up report be included on the Forward Work Programme under 'Future Items'. All members were in agreement.

The Chair noted the follow up Audit report on Exceptions and Exemptions had been removed. The Chief Internal Auditor explained this had been due to a delay in recruitment in the audit team. It was agreed to include under 'Future Items' on the Forward Work Programme.

The Annual Whistleblowing report had been deferred to the June committee member, this was due to capacity. It would allow for a complete year's data to be included. The Monitoring Officer informed members there was only a small number of issues that would need to be reported.

The Chair confirmed the Annual Governance and Audit annual report would be presented in the April committee meeting. Due to a number of issues it was believed the last annual report considered by the committee was for the year ending in 2020. The new CIPFA guidance for the committee included information on the annual report and provided a template. It was suggested following the report due to be presented in April 2023, the annual report adopt guidance from the CIPFA information.

Members heard the Statement of Accounts for 2021/22 would be presented in September 2023. Also due at the September meeting was a report on the Draft Statement of Accounts 2022/23.

The Chief Internal Auditor confirmed the Annual Governance Statement will be presented to the committee in June 2023 meeting along with the Internal Audit Annual Report, Internal Audit Strategy 2023/24 and Internal Audit Charter 2023/24.

It was noted a report on the Corporate Complaints Process needed to be included on the Forward Work Programme. It was agreed to include on the programme for the July 2023 Committee meeting.

Lay Member Nigel Rudd highlighted some potential concerns on the partnership working with the Betsi Cadwalader University Health Board, which had recently been placed in special measures. He stressed the partnership working was included in the Risk Register.

Gwilym Bury the Audit Wales representative suggested it would be best placed for a Scrutiny Committee to debate and receive a report on Betsi Cadwalader University Health Board.

The Monitoring Officer confirmed that Risk 21 was in relation to the Council's relationship with the Health Board. He provided members assurance, that the Corporate Risk Register was due to be presented to Performance Scrutiny Committee on 27 April 2023. Prior to that report being presented, the Corporate Executive Team will review the register. The role of the Governance and Audit Committee was to assure appropriate arrangements were in place to manage risks. The Chairs and Vice Chairs Scrutiny Group was the Scrutiny Co-ordinating group. Members of that group review and coordinate the forward work programmes for Scrutiny meetings.

The Chair agreed to raise the concern at the next Chairs and Vice Chairs Scrutiny meeting for discussion.

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

The meeting concluded at 11.55 am.