

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, 24 April 2024 at 9.30 am.

PRESENT

Councillors Justine Evans and Mark Young (Vice-Chair)

Lay Members – David Steward (Chair), Nigel Rudd and Paul Whitham

ALSO PRESENT

Corporate Director: Governance and Business – Monitoring Officer (GW); Head of Finance and Audit (Section 151 Officer)(LT); Chief Internal Auditor (BC); Head of Corporate Support Service: Performance, Digital and Assets (HV-E); Strategic Planning and Performance Team Leader (ImcG); Committee Administrator (RT-J)(Zoom Host) and Committee Administrator (SLW).

Audit Wales representatives – Mike Whiteley and Charles Rigby were also in attendance.

1 APOLOGIES

Apologies for absence were received from Councillors Ellie Chard, Bobby Feeley, Carol Holliday and Arwel Roberts
Apologies for absence were also received from the Lead Member for Finance, Councillor Gwyneth Ellis.

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 5 and was a member on the Governance and Audit Committee at Wrexham County Borough Council.

Lay Member Paul Whitham declared a personal interest as he was a recipient of a Clwyd Pension fund pension noted in agenda item 5.

3 URGENT MATTERS

None.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on 6 March 2024 were presented for consideration.

Matters of accuracy –

Page 7 – should read Bob Chowdhury is Chief Internal Auditor.

Page 9 – item 5 – Statement of Accounts Closedown - make clear 22/23 statement of accounts.

Audit Wales work completed at the end of March but did not state ready for April Committee meeting.

Page 16 - Item 8 – third paragraph should read “A key element of the requested work was where the governance arrangements lie

Page 19 – Item 9 – towards bottom of page should read “Governance and Audit Committee had a wider responsibility for the financial affairs of the authority”.

Matters Arising –

Page 8 – good idea to have a local government code. The Monitoring Officer would have a report before the Annual Governance Statement produced.

Page 9 – re: Arlingclose. The Head of Finance stated that confirmation in writing would be sent imminently.

Page 10 – members had received an update note from the Head of Finance. There was more work to do on the accounts and likely to receive further information with the Audit report at the September meeting. Work was taking place with Audit Wales to work as efficiently as possible. Both sets of accounts were likely to be available for the September meeting.

Page 12 – last bullet point on the page – the Chair had circulated a copy of the plan to all members of the Committee and also uploaded the document to the library. It was understood that a draft report in June with the final report in July. It was confirmed a copy of the draft report would be circulated to the Chair and Vice-Chair.

RESOLVED that, subject to the above, the minutes of the Governance and Audit Committee held on 6 March 2024, be received and approved as a correct record.

At this juncture, there was a change of order of items on the Agenda.

5 TERMS OF REFERENCE OF GOVERNANCE AND AUDIT COMMITTEE

The Corporate Director: Governance and Business introduced the Governance and Audit Committee Terms of Reference report (previously circulated) to see the Committee’s recommendation of the adoption of amended terms of reference for the Committee.

At the request of the Committee, the terms of reference had been reviewed. They were updated in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

The previous terms of reference had reflected the statutory functions of the Committee as set out in the Local Government (Wales) Measure and subsequently amended by the Local Government and Elections Act. They had not been a comprehensive terms of reference and did not reflect the importance of the role of the Committee within the council structure. The Chair had proposed some changes based upon the model.

A meeting had taken place with the s151 Officer, Chief Internal Auditor and Chair and Vice Chair of the Committee to look at the draft terms of reference.

Under the new terms of reference, there was a section at the beginning of the document which set out the statement of purpose of the Governance and Audit Committee. As well as setting out the statutory requirements placed the Committee in its context as an important part of the Council's governance.

CIPFA's sub headings were then followed for the terms of reference.

Key points - Financial affairs – suggested terms of reference from CIPFA referred to mainly the financial statements but they did not necessarily reflect the statutory provision in the Local Government (Wales) Measure which referred to reviewing and scrutinising financial affairs. The Welsh Government had produced statutory guidance regarding the operation of Governance and Audit Committees and they were keen to point out there should be a demarcation between the role of the Governance and Audit Committee and the role of Scrutiny. The Guidance suggested that the Governance and Audit Committee should be ensuring there were robust processes and controls in respect of the council's financial affairs, the way it set budgets, the way it monitored spending etc. Scrutiny regarding spending decisions was for the Scrutiny Committees of the Council and the Constitution of the council should demarcate those.

Under the first bullet point of Financial Affairs the terms of reference stated "to obtain assurance that the Council has effective and robust processes in place to identify, assess and manage risks and pressures, and a realistic and achievable strategy for setting balanced budgets, with any concerns arising properly raised with the responsible officers, members or auditors as necessary". This was not in the CIPFA model but the terms of reference had been enhanced in our model document.

The sections under Governance, Risk, Control and Performance – the Chair had requested Strategic Planning approved the second bullet point regarding the risk management processes. It was confirmed colleagues in Strategic Planning agreed that was their understanding of their interaction with the Committee and had approved the wording.

Strategic Planning did respond in relation to the draft Annual Performance Self-Assessment (fourth bullet point) that the Committee was to receive the Council's draft Annual Performance Self-Assessment report and, if necessary, make any recommendations for changes to the council.

The fifth bullet point stated "to receive the Council's finalised Annual Self-Assessment report for the respective financial year". The draft Self-Assessment report was brought to the Committee but not the final Self-Assessment report. The view of the Corporate Director was that the bullet point needed to stay in the terms of reference. In future, the Local Government and Elections (Wales) Act 2021 required that the Governance and Audit Committee comment on the draft Self-Assessment, that Council approve the final Self-Assessment, but if the Governance

and Audit Committee made recommendations regarding changes to the draft which were not adopted by Council, Council should explain why. The legislation stated that the final Self-Assessment report be made available to the Governance and Audit Committee. The Final Self-Assessment would not be presented at Governance and Audit Committee if Council had not adopted any recommendations made for an explanation as to why that decision had been made. If the final Self-Assessment report and the Governance and Audit recommendations were approved by Council the final report would be presented to Governance and Audit Committee for information.

The Local Government (Wales) Measure did state that as well as the statutory requirements placed upon the Governance and Audit Committee, the Council could determine that other matters be determined by the Committee. On page 85 of the pack there was a heading "Responsibilities in respect of the Council's Constitution" as the Governance and Audit Committee dealt with issues referred to the Council's Constitution.

Responsibilities in respect of Indemnities – this was not a statutory requirement of the Governance and Audit Committee but the terms of reference related to the Local Authority's Indemnity for Members and Officers (Wales) Order 2006. Officers and Members who were the subject of litigation in respect of activities arising outside their duties could look to the Council for an indemnity in respect of the costs dealing with the proceedings. In addition, Members could request an indemnity in respect of legal costs in relation to code of conduct proceedings brought by the Ombudsman to the Standards Committee or the Adjudication Panel for Wales. If prosecuted or taken to a code of conduct proceeding and convicted or sanctioned, then the monies would have to be repaid.

If the terms of reference report were to be approved, it would then be presented at the Council meeting in May 2024.

At this point, the Chair offered his gratitude to the Corporate Director for all the work done with the report.

During discussions, the following points were raised –

- A question had been raised that if the new terms of reference were in place would the items on the Agenda be covered by it. It was confirmed that a piece of work was required to be carried out on the forward work programme. The past three years of Agendas would be assessed to map out the items the Committee was receiving under the new terms of reference to see if there were any gaps. Also the time the Committee has would be looked into and how the forward work programme could be structured to have a more even spread of business across the year together with what would be substantive items and what could be taken as information reports. Scrutiny Committees limit the Agenda to no more than four substantive items to enable meaningful discussion within an appropriate timescale. That may not always be possible for Governance and Audit Committee but looking to concentrate on items which come under the terms of reference.
- Within the terms of reference, it stated the Committee may require any Member or Officer to attend before it to answer questions and may invite

other persons to attend meetings of this Committee. There may be an occasion where, for example, a Chair of Governors, or a contractor could be invited to attend a meeting but it was felt the terms of reference did not cover those people. It was confirmed that people who work for the Local Authority or elected Members were compelled to attend but could not compel people who did not work for the Local Authority to attend to answer questions. An example was given as Scrutiny Committee invited outside bodies to attend and usually they were able to attend.

- Regarding Local Authorities who had issued Section 114 reports, there had been criticism of the failure of the Governance and Audit Committee to adequately review and monitor what had been happening in those Local Authorities. It was suggested to include specific reference to the Section 114 implications in the terms of reference so they were addressed proactively by the Governance and Audit Committee and it was felt this would strengthen the terms of reference. Officers confirmed they would take the query away and look at it with regards to the terms of reference but were cautious about putting too much detail in the terms of reference.
- there were references to revenues and budgets but possibly insufficient, specific reference to Capital management decisions and the link therefore into treasury management in the terms of reference. Would need to see capital strategy and capital management decisions linked as part of the purview of the Governance and Audit Committee.
- membership of the Committee. It was stated membership of 9 with 6 Councillors politically balanced and Councillors may not be a Chair of Council or a Cabinet Member. It was understood that a Cabinet member could be a member of Governance and Audit Committee as long as that Cabinet Member was not Chair or Vice Chair. The wording did not reflect that There was an opportunity politically the Lead Member for Finance regularly attends Governance and Audit Committee and the administration may at some point in time to allocate and suggest that the Lead Member for Finance is one of the non Chair and Vice Chair members of the Governance and Audit Committee. It was confirmed that Cabinet members were permitted to be a member of the Governance and Audit Committee but Council had taken the decision not have Cabinet members on the Governance and Audit Committee.
- It was agreed terms of reference for Scrutiny Committees were due a review. The issue would be put forward to Scrutiny Chairs and Vice Chairs Group.

The terms of reference document was a living document and could be amended at any time.

RESOLVED that, subject to the above, and further approval by the Chair and Vice Chair, the terms of reference be approved and put forward to Full Council.

6 UPDATE TO MEDIUM TERM FINANCIAL STRATEGY AND PLAN FOR 2025/26 - 2027/28 AND REVIEW OF THE COUNCIL'S FINANCIAL RESILIENCE AND SUSTAINABILITY

The Head of Finance and Audit introduced the Update to the Medium Term Financial Strategy and Plan for 2025/26 – 2027/28 and review of the Council's Financial Resilience and Sustainability report (previously circulated).

Unfortunately, the Lead Member for Finance, Councillor Gwyneth Ellis, was unable to attend the meeting and had put forward her apologies.

The report provided an update on outstanding matters relating to 2024/25 budget, setting the scene for budget setting in the medium term (2025/26 – 2027/28), and self-assesses the council's current level of financial resilience and sustainability.

The Head of Finance summarised the report and appendices.

During discussions, the following points were raised –

- A risk of capacity of the Finance team was raised. The team were currently working with Audit Wales on the audit of the 2022/23 accounts and also the closure of the 2023/24 accounts in April/May. There has been the added complexity of a new financial system which was being introduced and that would cause disruption to all users until things settled down. The prioritisation was the budget. The capacity was currently being managed but was being assessed regularly. Officers expressed their gratitude to members of the finance team for all their hard work.
- The question was raised what would trigger a problem with the tracker. Discussions were taking place with the Lead Member for Finance around setting some flags and some triggers around tracking. Tracking or budget monitoring took place on a monthly basis. The monthly reports which were presented to Cabinet were of a very high standard. Tracking of the major proposals would be bigger in number and more details would be required on those. As a collective, if there were a number coming forward which were not being achieved they would need to be flagged at Cabinet but could also be something Scrutiny would want to scrutinise. If don't achieve some of the proposals then would go to make more savings in the year or use reserves. Important when taking decisions that the implications of those decisions were made clear.
- Major savings of the voluntary exit scheme. Report that over 90 people had applications refused. The report mentioned £800k saving but there had been an opportunity to save more. It was clarified that for each voluntary exit application, a business case had been prepared by the relevant Head of Service and that business case considered the impact on the service. Services needed to be delivered and that was the reasoning why business cases had to be prepared. 33 applications had been accepted out of over 130 who had applied.
- Staff briefing sessions had taken place. 3 online for office workers and 5 in person at various locations. They had been well received for staff to have a better understanding of the current financial position of the Council. One of the main issues was better engagement with the public around the council's

financial position and understanding how complicated local government finances are.

The following questions were referred to each individual appendix –

Appendix 1 –

Strategic savings and non-strategic savings. It was queried whether there was likely to be a declining curve of savings identified and achieved over a period of time. Originally used efficiency savings and now budget reductions which turns into reductions in services and cuts. Efficiencies had been made in the past but it had become more challenging. In later years it would require something more transformational in order to make savings. Change had been driven by necessity.

Summary of how the Council makes its money. Within the 25% council tax funded, there was an area which was not effectively council tax funded and that was fees and charges. It was questioned what percentage of the fees and charges would not be part of the 25% council tax income and fees. The Head of Finance did not have the information to hand but the information would be made available. When speaking of 25% and 75% this would be the net budget not gross budget. It was confirmed that the income was not part of the 25%.

One of the work streams within the MTFs which needed doing was around opportunities to maximise income through fees and charges. This was a piece of work which would be carried out in the next 12 months.

It was stated that Planning fees in England had been raised in 2023 and the question was asked whether Wales was to follow. It was hoped that collaboration with other Planning Authorities would take place to put pressure on the Welsh Government to review fees and charges.

The review which was being planned would make reference to the CIPFA guidance which would be brought to the Autumn update.

Appendix 2 -

In terms of consistency of external income, the increase of fees and charges had this been applied across all services. It was confirmed that it would be applied next year through the review of fees and charges.

Appendix 3 –

Item 10 – investment and priorities – where and how was the transformation budget reflected in the proposal? It was confirmed that the investment and priorities was the impact of capital decisions. The question around the costs of transformation, additional service pressures would be part of it but also, some would be funded possibly from reserves and capital receipts. That was a piece of work which was yet to be carried out.

Schools Demography showed being the same for 3 years and were they likely to remain the same for the future years. It was clarified that the figures were to be refined and would be pupil numbers driven as of September, the year before the start of the financial year. For example for financial year 24/25 would use the September 2023 pupil data. It would be pupil numbers rather than the free school meals data as that was a measure of deprivation.

Appendix 4 –

Risks (Page 4) – was there any further information regarding the Clwyd Pension Fund Triennial Review. No further information had been available hence why it had been included in the Risks section.

Council Tax Reforms – Welsh Government had plans to reform the way Council Tax would be calculated and charged, this would have the potential to impact on how much funding the council received. The RSG was calculated on equalisation of need based on ability to pay council tax. The impact on Denbighshire would be a shift might move from 75%/25% to 80%/20%, therefore Denbighshire's reliance on grants would be higher and why it was flagged as a risk.

it was raised whether council tax capping would be introduced in Wales? Officers responded that they had not received any information regarding capping.

(Page 6) – regarding the levy to North Wales Fire and Rescue Authority, it was queried whether this was every scrutinised. The Vice Chair confirmed he was a member of the North Wales Fire and Rescue Authority Group. The Working Group was politically balanced and scrutinised the budget.

Member Allowances - could members not agree to take the increase and therefore, deliver a saving? The Local Government Wales Measure stated that the Independent Remuneration Panel for Wales (IRPW) set member salaries. There were certain salaries which had to be paid and other salaries which were optional to be paid, but when paid had to be paid at the rate set by the IRPW. It was not possible for the council to determine that salaries would be at a different level to that which was published by the IRPW. Neither was it possible for the council to decide to forego on behalf of all members elements of their salary. It was possible for individual members to forego all or any part of their salary but the advice from Welsh Government and the WLGA was that would be discouraged due to the agenda regarding diversity and democracy participation.

Reserves and balances – there could be political pressure to run down reserves. If this were the case, were there assurances that the risk could be managed? There were a number of safeguards, firstly having a reserves and balances strategy. There would be wide discussion and engagement so there would be a planned use for that.

As part of budget setting there was also a requirement on the s151 officer to give a comment at budget setting time on the adequacy of reserves and balances. Advice from the s151 officer would be clear on the use of reserves.

Appendix 5 –

There were lessons to be learnt from the 8 English Local Authorities which had gone down the s114 route.

It was commended that the view of the Chief Executive and the Monitoring Officer had been taken into account for the assessment.

The role of Scrutiny in the budget setting process for both Revenue and Capital was to be assessed and the s151 officer confirmed she would be attending the Scrutiny Chairs and Vice Chairs Group in May.

The timetable of budget activity had been presented within the report but concerns had been raised regarding the dates of some of the Governance and Audit Committees as these needed to be timetabled to best benefit Cabinet and Council.

It was confirmed that the Monitoring Officer and the s151 Officer would take all the comments made during discussion of the report *and* assess the feedback provided.

RESOLVED that the Committee had considered the update to Medium Term Financial Strategy and Plan for 2025/26 – 2027/28 report and Officers would assess the feedback provided.

**AT THIS JUNCTURE (12:15 PM) THERE WAS A 15 MINUTE BREAK.
THE MEETING RECONVENED AT 12:30 PM**

7 TREASURY MANAGEMENT UPDATE REPORT 2023/24

The Head of Finance introduced the Treasury Management Update report 2023/24 (previously circulated).

It had been agreed by Council on 27 October 2009 that the governance of Treasury Management be subjected to scrutiny by the Governance and Audit Committee. Part of the role was to receive an update on the Treasury Management activities four times per year.

The Chair suggested substantive reports be presented at January and July meetings and information reports to be presented at April and November meetings.

RESOLVED that –

- *Members noted the Treasury Management Update report for Performance 2023/24*
- *The Committee confirmed it had read, understood and taken account of the Well-being Impact Assessment (Appendix 2) as part of its consideration.*

8 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

The Monitoring Officer confirmed work was taking place with the Chief Internal Auditor to go through the last 3 years of Agendas to balance the workload of the Committee. This work was ongoing. The Chair requested that he and the Vice Chair have early sight of the work programmes and Agendas.

June meeting – nomination of Chair and Vice Chair as this would be the first meeting of the municipal year.

The Corporate Risk Register would move from June to July meeting.

July meeting – the Complaints Process would be a substantive report and thereafter be presented as an information item.

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

FOR INFORMATION

9 AUDIT WALES - DIGITAL STRATEGY REVIEW

The Chair introduced the Audit Wales – Digital Strategy Review which was presented for information.

Recommendation 2 – Nigel Rudd stated he had commented on the partnership working audit at the previous meeting and the current response did not reflect the position of the Authority in relation to partnerships at the moment. It was a comment he would disagree with fundamentally. The recommendation stated there was no further work required regarding partnerships. There was not a comprehensive list of what the partnerships were and did not necessarily have the performance monitoring arrangements in place in order to ensure the best value for money and that they were being delivered effectively.

Officers responded that the recommendation related to the partnership working in respect of digital issues so it was talking about joint procurement, working in collaboration around cyber security and other initiatives. It was not necessarily talking about the partnership arrangements generally that the council was involved with in the delivery of other services.

The Chief Internal Auditor clarified that there was not a complete list of partnerships, that was something which was currently being worked on. He had agreed at the last meeting that a list would be provided by September. Individual arrangements were in place for partnerships around the council and with the digital ones it was assumed the Head of Service had done the action with the service and they were satisfied they had additional and appropriate partnerships in place.

RESOLVED that, subject to the above, the Governance and Audit Committee note the contents of the Audit Wales – Digital Strategy Review Information report.

10 COUNCIL'S PERFORMANCE MANAGEMENT GUIDE

The Chair introduced the Councils Performance Management report which was presented for information.

It was stated that it was important the terms of reference were linked in with the performance management report.

Paul Whitham raised the point regarding page 148 of the pack, improving services for our communities project register, the project register is a record of current projects being delivered by the council. He was not aware of any agreed council wide definition of what a project is. In his view it should not just be a physical exercise.

Officers confirmed there was a project register which was regularly seen by the Senior Leadership Team and the Corporate Executive Team which was managed by the programmes office. That was a complete list of key significant projects the council was taking forward. Significant projects of great value and reputational importance, they would be on the project register. Lower level projects such as activity that required less resource and input they would be monitored through service plans.

RESOLVED that, subject to the above, the Governance and Audit Committee note the contents of the Council's Performance Management Guide information report.

11 CORPORATE RISK REGISTER

The Chair introduced the Corporate Risk Register which was presented for information.

The Corporate Risk Register would be put forward as a substantive report at the November meeting.

RESOLVED that the Governance and Audit Committee note the contents of the Corporate Risk Register Information report.

12 CLIMATE ECOLOGICAL REPORT

The Chair introduced the Climate Ecological Report which was presented for information.

The Climate Ecological report was to be presented at each Member Area Group as part of the Climate and Ecological Change Strategy. There was a cross party member group which was also looking at the report. It would then go to Cabinet, Cabinet Briefing, Scrutiny and Council for an updated and reviewed Climate and Ecological Change Strategy to be adopted by the Council. It is a planned review and when the Strategy was set it was to be reviewed every three years and this would be the first of those reviews.

The Chair and members agreed to have a further report in September for information.

RESOLVED that –

- *The Governance and Audit Committee note the Council's key performance indicator performance for 2022/23 and direction of travel in achieving Net Carbon Zero Council, Ecologically Positive Council and 35% reduction in Supply Chain Emissions by 2030.*
- *The Governance and Audit Committee note the consultation on Year 3 update of the Climate and Ecological Change Strategy and governance for adoption.*

MEETING CONCLUDED AT 1.10 P.M.