

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, 20 November 2024 at 9.30 am.

PRESENT

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

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

ALSO PRESENT

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

Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets
Councillor Julie Matthews – Lead Member for Corporate Strategy, Policy and Equalities

Audit Wales representative – Mike Whiteley

1 APOLOGIES

No Apologies for Absence were received.

2 DECLARATION OF INTERESTS

The Chair, Lay Member David Stewart, declared a personal interest as he was a recipient of a Clwyd Pension Fund pension.

Lay Member Paul Whitham declared a personal interest as he was a recipient of a Clwyd Pension Fund pension.

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

Councillor Ellie Chard declared a personal interest as she was a recipient of a Clwyd Pension Fund pension.

Councillor Arwel Roberts declared a personal interest as he was a recipient of a Clwyd Pension Fund pension.

3 URGENT MATTERS

No items of an urgent nature had been raised with the Chair prior to the commencement of the meeting.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on 25 September 2024 were presented for consideration.

The Chair informed the Committee of changes he had suggested to the draft version of the Governance and Audit Committee minutes.

Accuracy

Page 14 – misworded paragraph which should state “The Audit Wales representative reassured members that the CIPFA practice of regular financial resilience and stress testing should be included in the National Report as recommended practice”.

Page 14 – Members asked if there was a ranking table - wanted to know how Denbighshire were performing against other Councils and not necessarily a ranking table.

Matters Arising

Page 16, Item 8 – Appointment of Members to the Governance and Audit Committee of the Corporate Joint Committee. Nigel Rudd confirmed he had been nominated to be on the CJC on behalf of both Conwy County Borough Council and Denbighshire County Council.

The Monitoring Officer confirmed he had requested confirmation of the process around resumes and cv’s and the response was if there were no more than three nominees they would be appointed. Also the question of substitutions for Lay Members had been raised and that question would be fed back to the CJC, but no response to that had yet been received.

Page 15, Item 7 – Urgent and Emergency Care. The Monitoring Officer confirmed that the next meeting of the Scrutiny Chairs and Vice-Chairs Group would be meeting on 25 November and he would check that the item was on the Agenda to be added to Partnerships Scrutiny Committee Work Programme.

Page 11, Item 5 – Internal Audit Update. The Chair requested confirmation that the special investigations were to be on counterfraud. The Chief Internal Auditor confirmed that a training session was to take place beginning of December to cover what Internal Audit did and lessons learnt and in March 2025, there would be a training session for Counterfraud.

RESOLVED that, subject to the above, the minutes of the meeting held on the 25 September 2024, be received and approved as a true and correct record of the proceedings.

At this juncture in the meeting, the Chair informed the Committee of a change in the running order of the Agenda previously published as he needed to discuss the Forward Work Programme item in detail.

5 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

The Chair, David Stewart, informed the Committee the need to recalibrate the Forward Work Programme and to synchronise with the work of other departments.

It was stressed to the Committee the importance of an approved Forward Work Programme which also stated which reports were substantive and which would be for information.

The Chief Internal Auditor agreed to have a meeting with Liz Thomas, Gary Williams and Democratic Services to scrutinise the Forward Work Programme and confirm future items.

It was also agreed that in the future, a pre-meeting to discuss the Forward Work Programme would take place prior to the Agenda pack being published to ensure all relevant reports were correctly added. A suggested time frame of 2-3 weeks prior to each Governance and Audit Committee was agreed.

The Chair reiterated the point that both he and the Vice-Chair, Councillor Mark Young, needed to be informed of any changes to the Forward Work Programme to ensure they were both updated prior to the Agenda pack being published.

The Head of Finance and Audit, Liz Thomas confirmed an update had been presented at the last meeting concerning the difficulty in completing the audit of the statement of accounts 2022/23. It had been a discrete issue to do with the way historical cost assets had been valued. The impact was in two unusable reserves and any movement would be between those two unusable reserves.

It was of a material value and, therefore, could not move forward until the issue could be brought below the materiality threshold. Although they did not have a direct impact the numbers between the two on the balance sheets needed to be more accurate. It was taking time to work through and progress was slow as the work was very involved and complicated. A sample had been selected, which Audit were working through and some queries had been sent to the Finance Department and they were working through those queries.

It was confirmed that the Finance Department were in regular dialogue with Audit Wales concerning the issue and the suggested approach to move forward was to clear the queries. Another issue had arisen around the historical costs and the impact of that was currently being looked into, but needed to move forward with the Audit of the 2023/24 accounts as assurance was required that the rest of what had been done in the 2023/24 accounts had been produced and then audited.

There was a vacancy in the Finance team due to a member of staff moving over to a Local Authority in England following a promotion. Unfortunately, had been unable to recruit to date which was also an issue.

The accounts were on the Forward Work Programme for January 2025 but there was a doubt the information would be available.

Audit Wales reiterated what had been stated by the Head of Finance and Mike Whiteley acknowledged the hard work Liz Thomas and her team had been doing. From the Audit Wales perspective, as soon as the 2023/24 accounts were complete Audit Wales had a team ready to work on them to enable all the 2023/24 audit to be complete apart from the residual asset queries.

The Chair queried the reputation of the Authority as did not want the Council to be criticised for the delay in the accounts. Also, as Liz Thomas had eluded to, was the pressure on the finance function.

It was suggested that the Accounts, rather than be on the Forward Work Programme each month and being rolled over, to be added to the “Future Items” section of the Forward Work Programme. Liz Thomas and Mike Whiteley confirmed they would discuss this and let the Committee know which suited them best.

It was queried what support the Governance and Audit Committee could offer through the HR process to deal with the capacity issue within the Finance Department. It was confirmed that as a team they had been reviewing what additional capacity could be brought in to move the issue forward as aware would need to produce the 2024/25 accounts from the new finance system.

On the Forward Work Programme January 2025 Denbighshire County Council Local Code of Governance was confirmed.

At this juncture, the Head of Corporate Support Service – Performance, Digital and Assets confirmed some Audit Wales items to be added to the Forward Work Programme as follows –

- (a) Commissioning Thematic Review
- (b) National Report Cracks and Foundations
- (c) Sustainable Development making the best of brown field land and empty buildings

These three items were likely to be “For information” items but that would be confirmed.

Future Items on the Forward Work Programme still showed changes to the Committee terms of reference. This is historic and has been completed so can be removed.

Future Training Dates – Risk Management, this had taken place and could now be removed.

RESOLVED that the Governance and Audit Committee confirm the Forward Work Programme agreed in September 2024 be utilised as the basis of the Forward Work Programme going forward and a series of Agenda management meetings be

diarised to ensure that the Chair and Vice-Chair are involved in the setting of individual Agendas.

6 TREASURY MANAGEMENT UPDATE REPORT 2024/25 QUARTER 2

The Chair informed the Committee that the item was for information only.

RESOLVED that the Governance and Audit Committee acknowledged and noted the Treasury Management Update Report 2024/25 Quarter 2.

7 UPDATE TO MEDIUM TERM FINANCIAL STRATEGY AND PLAN FOR 2025/26 - 2027/28

The Head of Finance and Audit, Liz Thomas, introduced the Update to Medium Term Financial Strategy and Plan for 2025/26 – 2027/28 (previously circulated).

It was confirmed that two Budget Workshops had taken place to discuss the contents of the report and Lay Members had been invited to attend as observers.

The Medium Term Financial Strategy and Plan had also been discussed at Full Council on 12 November 2024.

Part of the role of the Governance and Audit Committee was to seek assurance that the Council had effective and robust processes in place for setting balanced budgets.

During discussions, the following points were raised –

- (i) Without the adequate funding, schools would lack the essential resources to provide children with the adequate education, which caused concern. Also the increase in the employers National Insurance contribution now added to the financial burden.

It was confirmed that the figures within the report were pre UK Government budget so did not take into account the increase in the Employers National Insurance contribution. Confirmation was yet to be received as to whether Local Authorities would be required to pay the additional National Insurance contribution but it was anticipated that additional resources would be provided by Government in order to fund the costs. Indirect costs would be impacted due to this increase in National Insurance contributions also and would rise.

- (ii) Members were aware that Leaders and Chief Executives of the 6 North Wales Local Authorities of North Wales had written to the First Minister and the responsible Cabinet Secretaries in Cardiff regarding the budgets and it was stressed that members of the public needed to be informed more regarding the budgets Local Authorities had and how they dealt with the same. It was confirmed that no response had been received to date.

Nigel Rudd put forward the following points –

- (i) All Councils in Wales were in an extremely difficult situation and needed to avoid the Section 114 bankruptcy scenario at all costs. If Denbighshire were to enter into the Section 114 Commissioners would be appointed, decisions would be made with no consideration to democracy locally. Members and officers would not be able to control or influence any of the decisions.
- (ii) Across the UK there was a difference in the Council Tax between England and Wales. In England the Council Tax was capped at either 3% or 5% increase. In Wales, the Council Tax was not capped. If looking to increase Council Tax to balance the books, that had to be considered as an option. If, for example it required a 27% increase in order to balance the books for the Local Authority in year 1 that needed to be presented as an option. If the Local Authority approved such a large increase it would be addressing some historical issues.
- (iii) To avoid a Section 114, there had to be a focus on the statutory services to the potential detriment and reduction of discretionary services. He stated if that was not done, and if the books were not balanced, the decisions regarding what services were supplied under Section 114 would be taken by the Commissioners. There is a really difficult focus on the impact of non-statutory services in the budget process. As a Governance and Audit Committee we are looking at all the options which seriously need to be considered.
- (iv) The Authority had performed really well in its strategy during the last two years that everyone should be proud of but it could not continue to address matters on a “salami slicing basis”. He needed to see evidence as a member of Governance and Audit Committee that all options were being considered including the most radicle options.

In response to Nigel Rudd’s comments, the following responses were given –

- (i) Councillor Gwyneth Ellis, Lead Member for Finance confirmed she would discuss with the Head of Finance the option of the Council Tax increase.
- (ii) Councillor Ellis also stated that to focus on statutory services would be extremely complicated as there was no definition as to what the statutory service should look like and gave the example of libraries.
- (iii) Liz Thomas responded that regarding statutory services, that would be where a Commissioner would focus. She also agreed with Councillor Ellis that the definition of statutory was not clearly defined. It would not mean that all statutory services were protected in their entirety as they needed to be well run and efficient in the way they delivered their services also.

Further discussions took place as follows –

- (i) Departments were being asked to make savings, and how was the core funding element delivered to ensure the services were delivered.

Liz Thomas clarified that tests were carried out to see the impact of any savings to the service.

- (ii) How is the funding for the additional Employer National Insurance contributions to be dealt with?

Liz Thomas stated that the Finance Department were calculating what the costs would be and they would need to feed through to the Medium Term Financial Plan but alongside the additional income received. It was confirmed that the costs would not be entered without the additional income.

The Chair confirmed that the role of the Governance and Audit Committee was to see all options would be considered and it was his view that all options should be considered at Cabinet to keep members fully informed.

At this point Nigel Rudd commended the Budget Session which had recently taken place with excellent contributions from Councillor Gwyneth Ellis, Graham Boase and Liz Thomas. He also commended the process and stated it had been one of the best budget sessions he had seen in any Local Authority.

RESOLVED that the Governance and Audit Committee provides the following feedback for Cabinet –

- (i) *The Council should do all it can to ensure that its focus remains on statutory services so that it meets its legal obligations and there is a clear understanding from both officers and members as to what the statutory services are*
- (ii) *All options in respect of Council Tax should be presented and considered however unpalatable in order that members have the full range of facts, showing the risks and benefits, when making decisions*
- (iii) *The Council should do all it can to ensure that residents have clear understandable information in respect of the choices the council has to make and the potential implications of those choices.*

**At this juncture (11.30 a.m.) there was a 10 minute break.
The meeting reconvened at 11.40 a.m.**

8 CORPORATE RISK REVIEW, SEPTEMBER 2024

The Lead Member for Corporate Strategy, Policy and Equalities, Councillor Julie Matthews, introduced the Corporate Risk Review, September 2024 report (previously circulated).

Councillor Matthews asked for her thanks to be recorded for all staff involved in collating the information within the Corporate Risk Review.

The Corporate Risk Register was developed and owned by SLT alongside Cabinet. It was reviewed twice yearly by Cabinet and at Cabinet Briefing. Following the February and September reviews, the revised register was presented at Performance Scrutiny Committee and Governance and Audit Committee. A summary of reviews was shared for information only at these Committees at their January and July meetings.

The council currently had 13 Corporate Risks on the Register. No risks had been de-escalated during this review but a new risk (risk 53 in Appendix 4 of the report) would bring the Corporate Risk Register to 14 Risks.

Lead Member, Councillor Diane King had replaced Councillor Gill German for Risks 01, 21, 34 and 50.

It was confirmed that a training session had taken place recently which had been extremely helpful to those in attendance.

During discussions, the following points were raised –

- (i) Risk appetite currently indicated for workforce issues. Nigel Rudd asked for confirmation of this current risk appetite. Helen Vaughan-Evans stated that the council recognised that its employees were critical to the achievement of its objectives and that staff support the developments are key to making the council a place of work which inspires good performance. It places importance on equality, diversity, dignity and respect and the wellbeing and safety of staff. In recent times to support wider effort to tackle challenges in recruiting staff we are making some recruitment processes more flexible in a safe way to alleviate difficulties in filling roles. Therefore, the council has a cautious risk appetite in relation to standards in terms and conditions and learning and development. Where we are wanting to alleviate difficulties in filling roles a riskier approach may be considered, but as a base there is a cautious risk appetite for workforce and people. That is defined as cautious will weigh up the potential rewards of new untested approaches but only where the risk is low and can be managed.

Nigel Rudd explained he saw an inconsistency in the approach by the council seeking a transformational council with an appetite for cautious around its workforce. He did not believe this was an appropriate measure under cautious because radical change required radical review and risk taking and that was clearly what the council was seeking to do if it was going to be transformational.

Helen Vaughan-Evans confirmed that the largest expenditure was staff and for the benefit of delivery but also if there were to

be savings, that would very likely involve something around staff. Maybe take in turn of financial risk and staff risk. That point can be taken back to the Budget and Transformational Board to review and can reflect the discussion at this Committee and you would see that at your next Review. Our staff are our greatest asset. It was also confirmed to liaise with the Lead Member, Councillor Julie Matthews.

- (ii) The Risk Register was reduced from approximately 21 down to 13 items. Did that suggest historically that the Risk Register was not managed as tightly as it should have been in the past. Helen Vaughan-Evans stated that lessons had been learnt from how the Risk Register was managed in the past. The process had been streamlined and what had been presented was a mature way of managing risks.

The Monitoring Officer confirmed the process had moved to manage risks in a different way in that better at looking at what risks could be amalgamated or relegated down to service level. The important thing to remember was that if a risk was taken off the Corporate Risk Register it did not disappear, it would be placed on a Service Risk Register. The process was different and better to how it was done in the past.

- (iii) In the view of Nigel Rudd, the Corporate Risk Register should drive both the focus and work of the council as complimentary to a number of other political policy issues and was that being seen in reality. A specific case of interest was the waste review and the change in delivery of waste in terms of whether the Corporate Risk Register was employed in any way both in the approach and the implementation of that proposal. Helen Vaughan-Evans responded regarding the waste project, it was managed as a project, there was an active Risk Register developed at the start and regularly reviewed. In any review they would look at the processes and procedures that were in place, and that would be risk. That would be a good learning process to take back to the Risk Management Framework and also the Project Management Framework.

- (iv) Recruitment and Retention of staff had been raised at previous meetings and account needed to be taken of the impact on governance services, for example, internal audit, legal, data protection etc.

- (v) Risk 53, no reference in it to the waste collection roll out and fall out. Risk 53 mentions successes of projects but the waste was the opposite and needed to ask about the suitability of the project management arrangements and how much confidence do we have in the project management systems. This could be a key issue.

- (vi) Risk 52 to provide services for Denbighshire and was 12 months out of date so would that be updated ?

Helen Vaughan-Evans clarified that the settlement for 2025/26 had not been received and hence the use of the figures within

the report. She confirmed she would take the point back to ascertain if there were any up to date figures.

- (vii) Page 177, paragraph 4.6 – no changes on risk scores – is there an assurance that there is a clear understanding what constitutes a risk as opposed to an issue. All the risks shown are marked as risks reviewed and shown scoring narrative as accurate but is there assurance that the use of risks are efficiently challenged?

It was confirmed there had been a deep dive into risks recently at CET. Risk 1, safeguarding had been done recently and there was an ongoing programme of each one. They go to CET at which other members of CET were able to challenge the risk owner in respect of the narrative. Robyn Lovelock and her team also attend.

- (viii) Suggestion that a possible new risk be considered. Had consideration been given to the risk of the Council's culture? It was essential that basic values such as the Nolans principles remain in place.

It was confirmed this would be taken back to the next Risk Review and input it into the Well Run High Performing Council Board which has a workstream on culture.

- (ix) Risk 21 – Integration of Health and Social Care Services. Had the review of the risk been viewed by the recent Audit Wales Report on Flows out of Hospitals which was considered at the last meeting.

Officers confirmed they would take that question back to find out the response.

- (x) Risk 21 – Fraud and Corruption. Why do the scores and trend remain the same when there are increased incidents of fraud in Wales. An Audit Wales Press Release had recently been received which showed an increase of £0.6million in fraud compared to the previous year, a total of £7.1million in total in Wales. Although Fraud did not appear as a risk in Denbighshire, there was an issue in Wales. Could consideration be given to this issue when the Risk Register was next reviewed.

- (xi) Concern around the Welsh culture and language in the future with cuts and less staff speaking Welsh within the Council. Also the financial situation affecting social services and schools, this is a risk which needs to be looked at in the future. Officers confirmed that social services and education had been picked up in the Risk Register – Risk 51 and Risk 52.

Regarding Welsh language, it would be important for Councillors to look at the budget papers in the New Year to note the accumulative impact assessment work which was carried out on the budget where Welsh language as part of the wellbeing goals was considered.

The Chair requested Managing Risks for Better Service Delivery Guidance that in the future when the report was presented, there was a page for Governance and

Audit Committee Members, could it be included as an Appendix to help to focus on the role of the Committee.

A summary of the comments were as follows and officers agreed to take these back for further consideration –

- Risk Appetite for People related risks - consider move from Cautious to Open, but with safeguards,
- Risk 21. Integration of Health & Social Care etc - did this take account of the recent AW report on flows out of hospitals (to be considered by Scrutiny Chairs and Vice-Chairs Group)
- Risk 31 Fraud - does the scoring adequately take account of:
 - the increased incidence of fraud in Wales (as reported in the Audit Wales NFI report),
 - a possible increase in local fraud at DCC and
 - the pressure on internal controls (management and supervision) due to budget pressures impacting structure?
- Is there a need for an additional risk to the Council's culture and the Nolan principles etc due to financial pressures and an increasingly hostile media / social media environment?
- Proposed Risk 53 re Transformation
 - How effective is Project Management (review following Reuse Rounds investigation)
 - Adequate consultation with stakeholders and staff on implementation of new working methods / structures?

RESOLVED that the Governance and Audit Committee –

- (i) Considered the suggested amendments to the Corporate Risk Register as at September 2024 (appendix 2),
- (ii) Considered the status and risk appetite (appendix 3) of each risk, the appropriateness of risk owners and the effectiveness of risk controls.
- (iii) Provided feedback as to the council's present Risk Appetite Statement, having taken into account CETs feedback in paragraph 4.9 below and the recommendation to move to an "open" risk appetite for financial projects.

9 FOR INFORMATION: SENIOR INFORMATION RISK OWNER (SIRO) REPORT FOR 2023/24

The Chair informed the Committee that the item was for information only.

RESOLVED that the Governance and Audit Committee acknowledged and noted the Senior Information Risk Owner (SIRO) Report for 2023/24.

10 FOR INFORMATION: COMPLIMENTS / COMPLAINTS AND PUBLIC SERVICES OMBUDSMAN ANNUAL LETTER REPORT 2023/24

The Statutory and Corporate Complaints Officer, Kevin Roberts, introduced the compliments / Complaints and Public Services Ombudsman Annual Letter report 2023/24 (previously circulated).

The annual report provided an overview of the effectiveness of the complaints process. The figures presented within the report were for the financial year 2023/24. The performance was measured against the Social Services Complaints Procedures (Wales) Regulations 2014 and the council's own Corporate Complaints procedures – adopted from Public Services Ombudsman for Wales Model Complaints Guidance 2019 and the Public Services Ombudsman (Wales) 2019.

A letter from the Ombudsman dated 9 September 2024 based on data for a case ending 9 April 2024 - could this report be added to an earlier Committee or, if giving feedback to the Ombudsman a quicker turnaround of statistics would be useful.

Appendix E – Compliance performance comparison would be useful when benchmarking the cross performance of Denbighshire County Council with other Local Authorities.

It was confirmed that the Manager and members of the team were acknowledged for their work and staff were celebrated for positive feedback.

A quarterly report was produced for Scrutiny which was an information report, but that may change as the volume of complaints had increased. The Annual Report comes to Governance and Audit Committee. The next quarter would show the impact of the increase of complaints.

Ombudsman's letter shows Denbighshire in a good light. The Ombudsman had made five recommendations to Denbighshire throughout the year. A percentage of the recommendations in had not been complied with within the timescale and members queried as to why this had happened.

Officers clarified that it had been a complaint regarding education services. The Ombudsman recommendation was that they did not uphold the complaint but recommended reviewed the education policy. The mechanics which went in to changing the education policy were very lengthy, it took a long time with consultation and Committees input. The Ombudsman was informed it would take a long time and would not meet their timescales. The due processes were followed and the policy was eventually changed as soon as it physically could. It was confirmed that this was the only recommendation which had not been dealt with in the timescale provided.

Ann Lloyd asked for it to be noted her thanks to Kevin Roberts and his assistant as he was relentless in his work and they both worked extremely hard.

It was confirmed that Complaints was a statutory area for Governance and Audit Committee with a specific remit to review and assess the Authority's ability to handle complaints effectively. At the Governance and Audit Committee in July it was stated that to meet those terms of reference assurances were needed that all complaints were put into the system and, therefore, needed to be aware of the understanding of a complaint. Need assurance they were handled correctly and any trends or services which stood out were identified and that lessons learnt and improvements made as a result. Also, some benchmarking with other Local Authorities was this information available.

In future when this report was provided, could it be in a slightly different format with additional information.

RESOLVED that, subject to the above, –

- (i) *The Governance and Audit Committee considered the contents of the report*
- (ii) *The Governance and Audit Committee considered the data in the letter, alongside the council's data, to understand more about Performance on complaints, including any patterns or trends and the organisation's compliance with recommendations made by the Ombudsman.*

THE MEETING CONCLUDED AT 1.00 P.M.