

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, 22 January 2025 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); Insight, Strategy & Delivery Manager (RL), Zoom Host (NH); and Committee Administrator (RhTJ).

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

Audit Wales representative – Mike Whiteley

WLGA representative – Lyndan Puddy

1 APOLOGIES

Apologies were received by Councillor James Elson, who joined the meeting at a later stage of the meeting.

2 DECLARATION OF INTERESTS

The Chair, Lay Member David Stewart, declared a personal interest in relation to agenda items 5 and 6, as he was a recipient of a Clwyd Pension Fund pension.

Lay Member Paul Whitham declared a personal interest in relation to agenda items 5 and 6, 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 in relation to agenda items 5 and 6, as she was a recipient of a Clwyd Pension Fund pension, as well as a personal interest in agenda item 9 as she was a governor

3 URGENT MATTERS

No urgent matters were raised.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on 20 November 2024 were presented for consideration.

Matters of accuracy –

- Page 9 –referring to the forward work programme; it should have read, ‘the Chair David Stewart stated that the forward work programme included in the agenda was different to that which had been reported to previous meetings of the committee; which had been recalibrated to ensure that it was synchronised with the Council’s other business.
- On page 9, there was a reference to audit. The sentences should have referred to audit Wales to ensure differentiation between the internal audit team and the Council’s external auditors Audit Wales.
- Page 9, the last paragraph should have read, “Unfortunately, finance had been unable to recruit to date, which was also an issue.
- On page 10, in the third paragraph, the chair corrected that he did not question the authority’s reputation; it was that any delay could cause reputational risk to the authority.

Matters arising –

- The chair stated that anything relating to budgeting would be discussed with the relevant items.
- Page 8—The members queried whether there was an update with CJs and whether lay members could be on the CJC. The Corporate Director of Governance and Business had queried the lead authority regarding the matter; however, he had not received a response.
- Page 9—Pre-meetings had taken place regarding the forward work programmes, and they were going well. The Corporate Director: Governance and Business added that discussions and meetings were ongoing with key officers regarding the Governance and Audit committee to ensure no work was missed.
- Page 10—Pressures with the finance team and whether there was any update were raised. The Head of Finance & Audit (Section 151 Officer) clarified that the issues and recruitment work were ongoing.
- The implementation of a new finance system was raised, as was the question of whether the finance team would be able to have a dummy run with the closing of accounts. There was a focus on the workload but not a dummy run per se.

RESOLVED that, subject to the above, the minutes of the meeting held on 20 November 2024, be received and approved as a true and correct record of the proceedings.

5 INTERNAL AUDIT UPDATE

The Chief Internal Auditor (CIA) introduced the Internal Audit Update (previously circulated). The report provides an update for the Governance and Audit Committee

on Internal Audit's latest progress in terms of service delivery, assurance provision, reviews completed, performance, and effectiveness in driving improvement.

The report provides an update on Internal Audit work carried out since the last update report to the Committee in September 2024; since the previous Governance and Audit Committee update in September, eight internal audit reports have been completed, with two being awarded a high assurance rating, three receiving a medium assurance rating, and three not being awarded an assurance rating as these are process reviews.

This year has been a challenging year for Internal Audit, with several factors outside the control of the team which include: -

- To date, there have been three whistleblowing complaints. After initial discussions with the Corporate Director of Governance and Business, Internal Audit has undertaken two investigations, with the other being carried out by the service.
- Three members of the team volunteered to support Highways and Environmental services with the rollout of the new waste service
- We have had an unusually high amount of sickness from 1 April to 31 December 2024, resulting in 136 days being lost, and
- Finally, one of the Career Pathway Senior Auditors resigned on 25 November 2024, which has affected the plan as the audit team now has one less auditor.

Since April 2024, two special investigations have been very challenging and demanding on Internal Audit resources. Due to the complexity of one of the complaints, we have paused the investigation, as additional factors need to be resolved before we can complete it. The second investigation has now been completed, and a report has been produced. The CIA met with the Head of Service and HR on 16 January 2025 regarding the investigation.

Following the introduction by the CIA, the committee discussed the following points further –

- The committee raised concerns about the staffing levels within the audit team and whether they would impact the team's projected workload. The CIA stated that there were always contingencies built into the internal audit workload. There were 60/80 days of sickness contingencies; however, these had been surpassed. However, the CIA had confidence in the staff to maintain the work and complete more of the work they had planned.
- Responding to queries relating to the two investigations carried out, the CIA stated that they were still private and, therefore, could not be discussed currently; however, further details could be shared once the investigations were closed.
- Members raised the possibility of hiring expertise to assist the audit team, which was struggling due to illness to achieve the audit plan. The CIA stated that he had constant dialogue with the relevant head of service, and staffing was at the forefront. The CIA restated that he had confidence in his team to complete the work in the required areas to give assurances of the governance of those services and the Council.

- Members understood the plan; however, they felt that the target set was lofty and that not reaching it could be seen as a failure. They suggested that the plan should be set at a reasonable level.
- Some members raised that they wanted to discuss matters relating to the ongoing investigation. The Corporate Director: Governance and Business stated that if the committee wished to discuss the matters, then they would need to discuss them in a closed forum (part 2). Members agreed to discuss the matter at the end of the meeting to reduce any impact on the meeting.

RESOLVED that

1. *The committee considered the report and the content and assessed the Audit's progress and performance.*
2. *The committee did not want any further assurances and discussed the audited areas*

6 TREASURY MANAGEMENT STRATEGY

The Head of Finance and Audit (HFA), alongside the Lead Member for Finance, Performance and Strategic Assets, introduced the Treasury Management Strategy Statement 2025/26 and the Treasury Management Update Report Q3 2024/25 reports (previously circulated).

The Treasury Management Strategy Statement (TMSS) shows how the Council would manage its investments and borrowing for the coming year. It also sets the policies within which the Treasury Management (TM) function operates. The TM Update Report provides details of the Council's TM activities during quarter 3 of 2024/25.

The Council was responsible for its treasury management decisions and activities, which involved looking after the Council's cash. This was a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.

The reports graphs show the levels of the Council's borrowing and investment balances over the last three years. The first chart shows the Council's borrowing has increased over this period. The second chart shows a decrease in the amount of money available for investment. Both are aligned with forecasts and linked directly to the Council's Capital Plan.

Referring to the TM update report, the HFA gave members a quick background to the report before opening to take questions from members: The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, would be significant influences on the Authority's treasury management strategy for 2025/26. Members were also informed that the next TM report would be discussed at the April committee meeting.

Members discussed the following further –

- Members highlighted the graph in Appendix One, which showed a spike in 2066; officers responded by stating that the matter related back to 2015/16 and the buyout of the housing stock subsidy, which was to improve the housing stock.
- Lay Member Nigel Rudd felt that there was still a little disconnect between the council strategy, programming, and treasury management. Fundamentally, the ability to borrow to fund capital works was quite crucial. The impact of those decisions on the authority's revenue account was significant, as I'll return to the next item: Governance and Audit (GAC), which was the delegated authority to review on behalf of the council treasury management arrangements. I'm unsure whether GAC currently receives or considers the capital strategy statement/rep reports the produce with the council; they tend to go to the cabinet and the council. Was there a disconnect in the process that needed to be looked at. Responding to the query, the HFA informed members that the capital scrutiny group discussed capital matters; some members of the GAC were members; they combed through the details of each business case and the impact revenue costs; the question warranted further discussion between the HFA and the Corporate Director: Governance and Business; to ensure that the GAC had more background on the treasury matters within the Council. Lay Member Nigel Rudd responded by thanking the HFA for the response and saying that he did not wish for the GAC to undertake assessment work of the capital programme; however, the GAC needed to act as a shield of protection around decisions relating to treasury management. It was also raised whether the HFA has had any correspondence with ArlingClose regarding treasury management. The matter was ongoing. ArlingClose has contacted the HFA, and the matter was delayed due to the workload of the HFA, which has yet to respond to them.
- The borrowing limit was raised; temporary loans from other authorities were included with the limit on borrowing.
- Members and the HFA agreed that GAC members should receive annual treasury management training.

Nigel Rudd proposed an amendment to the recommendations within the report: officers should bring a report back to the GAC to consider the options regarding the level of information and timing of decisions about the capital plan and its impact on the revenue budget.

The committee agreed on the amendment.

RESOLVED that

1. *The committee reviewed the TMSS for 2025/26 and the Prudential Indicators for 2025.26, 2026/27 and 2027/28.*
2. *The committee noted the TM update report.*
3. *The committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.*
4. *Officers should bring a report back to the GAC to consider the options regarding the level of information and timings of decisions that*

should be brought back to the GAC in relation to the capital plan and the impact on the revenue budget.

7 UPDATE ON 2025/26 REVENUE BUDGET SETTING

The Head of Finance and Audit (HFA), alongside the Lead Member for Finance, Performance and Strategic Assets, introduced the Update on 2025/26 Revenue Budget Setting report (previously circulated). The report aimed to update the Governance and Audit Committee on the Welsh Government's (WG) Provisional Funding Settlement for Local Government 2025/26 and its implications for setting a balanced budget for 2025/26.

Regular medium-term financial updates have been reported to the Governance and Audit Committee throughout the year as part of the role of the Governance and Audit Committee in seeking assurance that the Council has effective and robust processes in place for setting balanced budgets. The Council is legally required to set a balanced budget before the start of each financial year and to set the resulting level of Council Tax. At its next meeting on 18th February 2025, the Cabinet would consider a report to set a balanced budget and Council Tax for 2025/26. Council will then consider this report at its meeting on 20th February 2025.

The Council received the Provisional Settlement for 2025/26 on 11th December 2024. The Council's provisional AEF (Aggregate External Finance, which consists of the Revenue Support Grant [RSG] and our share of the non-domestic rates pool [NDR]) from WG for 2025/26 equates to £215.222m.

WG has produced tables so that funding levels in 2024/25 and 2025/26 can be compared on a like-for-like basis across all Welsh councils. Since its initial publication, WG has slightly amended the restated 2024/25 figure. The council's 2025/26 funding compares with a restated 2024/25 AEF of £205.729m, a headline increase of £9.493m or 4.6%.

The committee discussed the following points further –

- Members raised the concern that the report seemed more complex and technical than usual. The HFA did agree that the reports were more technical than in previous years; however, to clarify, the settlement was an increase of 7%.
- The National Insurance (NI) contributions were raised, and the Council could set a balanced budget without knowing how much money would be given to accommodate the additional costs. The HFA informed the committee that local governments knew some funding had been allocated for the NI contributions. However, it was unknown when the funding would be allocated and how much would be available. The situation was like that in previous years, where there was an unknown with the increase in teacher pensions. However, this did not stop the setting of a balanced budget.
- Responding to queries about grants transferring in not being allocated directly to services and being broader in scope, the HFA informed the members that previously new areas of responsibility in services were funded by grant. The grants were now ending but the responsibility would remain

with the service, and the funding therefore needed to stay with the relevant service.

- Responding to points raised regarding the impact the budget cuts were having on the most vulnerable in society, the HFA understood the challenges; these were the challenges facing the Council and all other Councils.
- In response to questions regarding paygrades and whether the matter could be resolved as it caused pressure on the budget, the HFA clarified that there was constant dialogue with other local authorities and the WLGA.
- The committee praised all the recent budget workshops held for elected and lay members.
- The committee suggested that the budget pressures within the report be split by statutory and non-statutory savings, making the process easier; the HFA did not believe this would be possible, as it would be hard to gauge accurately.
- Concerns were raised regarding the revenue impact of capital programming. The HFA provided assurance that the discussions that have been ongoing with the Capital Scrutiny Group and Cabinet regarding the impact on revenue of capital decisions this year.
- Fees and charges levied by the council were highlighted, and whether there was work ongoing on the matter, the HFA wanted to continue with this work, and benchmarking was a part of the work. Audit Wales also suggested this in a recent review.
- The committee discussed capacity within the finance service; the budget took the sole attention of the service; therefore, the capacity was not an issue at the moment.
- NDR business rate information was unavailable but would be circulated to members outside the meeting.
- The committee queried whether the service was preparing the budget within the current timescales; there were no concerns with the service's current timescales, and there was ongoing open dialogue on the budget. Schools' budgets were discussed monthly at cabinet meetings in the finance reports.
- The committee raised the suggestion of a stress test which was raised at the Governance and Audit Committee last year; did the finance service have an idea when the stress test could be conducted, the reset of the medium-term financial strategy for the next three years would be the best option as it would allow the strategy to be based off it. The spending review by the UK Government was ongoing, and a strategy was set before the review was carried out; the plan by the HFA was to conduct the stress test by April 2025.

RESOLVED that the Governance and Audit provided no further feedback to Cabinet before the 2025/26 budget was set.

8 PEER PANEL ASSESSMENT

The Head of Corporate Support Service: Performance, Digital and Assets (HCSSPDA) alongside the Lead Member for Finance, Performance and Strategic Assets introduced the Panel Performance Assessment (PPA) (previously circulated).

Officers stated that the report was For the Governance and Audit committee to be provided with the PPA report (Appendix 1), a draft of response statements (Sections 4.6 and 4.7) and the Action Plan (Appendix 2) setting out responses to the recommendations in the Panel Performance Assessment (PPA) report for the committee to discharge their duties under the Local Government and Elections (Wales) Act 2021, namely:

1. To receive a copy of the report (Appendix 1).
2. To review the statutory statements, the Council must make in response to the Report (Sections 4.6 and 4.7) and make recommendations for changes to the statements as it deems appropriate.
3. To review the actions the council intends to take (Appendix 2) and make recommendations for changes as it deems appropriate.

The Local Government and Elections (Wales) Act 2021 requires that principal councils must make arrangements for a Panel appointed by the council to assess the extent to which it is meeting its performance requirements at least once between two consecutive ordinary elections (May 2022 and anticipated May 2027), i.e. once per County Council's term. In addition to fulfilling the statutory requirement, an effective PPA can inform the council's improvement journey, building on the annual self-assessment and supporting it to look to the future through a different lens. The PPA has allowed to test thinking with impartial expert peers who provide alternative perspectives through independent, objective challenges in making their recommendations. The WLGA ran the Panel Performance Assessment on DCC's behalf between 9th – 12th September 2024 – the first PPA in Wales.

The committee was informed of the draft statement that “the extent to which we accept the conclusions in the report” is as follows: *“The Council accepts the report and its conclusions. It notes that the Assessment was a useful process and appreciates the thoughtfulness and the thoroughness of the Assessment team. For future Assessments, we would welcome greater content in the final report on the evidence seen which has led to each recommendation. A general observation, which reflects across a number of our responses in the Action Plan, is that we would like to have seen more emphasis in the process and report on how we are building community and council well-being and resilience for anticipated future challenges, in line with the Well-being of Future Generations goals and ways of working.”*

Following the introduction, members discussed their suggested amendments to the PPA report –

- Point 3.1 of the PPA report states that the Committee should note and provide feedback on the Panel Performance Assessment Report (Appendix 1). The committee recommended including a more detailed list of invitees to Panel sessions during fieldwork week as an appendix.
- About point 4.6, The draft statement for “the extent to which we accept the conclusions in the report”, the committee suggested a small change to include the word welcome. Therefore, the sentence would read as “The Council welcome and accept the report and its conclusions.”

- Relating to point 3.3, 'For Committee to review the actions the council intends to take, the 'Action Plan', and make recommendations for changes as it deems appropriate (Appendix 2)' it was suggested that officers review the action plan to make the sentences more succinct and more straightforward.

There were other general suggestions, which were as follows.

- Add a fifth column "By when" to provide a timeline in which these actions will be completed.
- Adjust response to Recommendation 1 in order to include reference to the briefing of individuals (political and operational) who represent the Council on external bodies or events so that they may advocate well for the Council and its mission.
- Receive the draft internal audit report on partnership working and reflect the draft recommendations from that report within this action plan around recommendations 5 and 6.
- Adjust the response to Recommendation 6 to mention using this improvement to support any partnerships the Council is involved in.
- Adjust response to Recommendations 6, 7 and 8 to reference how the Council will also work closely with private businesses.
- Adjust response to identified strength 6.1 bullet points 1 and 2 to include reference to this strength being important to the ongoing corporate governance health of the organisation.
- Adjust the response to Recommendation 4 to mention succession planning when mentioning workforce planning.
- Adjust response to identified strength 6.1 bullet point 3 to refer to actions #4, #5, #6 and how these actions contribute to sustain this identified strength.

RESOLVED that the Governance and Audit Committee have considered the report's recommendations: 3.1, 3.2 and 3.3. Officers would prepare a document to reflect these recommendations before submitting the PPA report to the Cabinet.

9 ESTYN - FORMAL OUTCOME LETTER TO LOCAL AUTHORITY

Prior to being invited to speak, the chair apologised to officers that due to prior time constraints, they would request that the item be discussed as quickly as possible.

The Head of Education (HE) introduced the Estyn Enhanced Local Authority Visit 2024 report (previously circulated). It provides information on the process followed and the outcome of the Estyn Local Authority Visit in October 2024.

The HE informed the committee that on the 21 – 23 October 2024, Richard Thomas HMI and two HMI colleagues conducted an enhanced local authority link inspector visit, focussing on additional learning needs and attendance. The committee was informed that enhanced visit letters were not published and were issued to support the authority's improvement process. As a service, education was now reviewing and addressing the considerations suggested through our service area improvement plans.

In closing, the HE assured the committee that some of the practices observed during the visit would be used moving forward at other visits as good practice and would be encouraged by other local authorities.

Members were very pleased with the report. They highlighted concerns with the attendance levels. The HE informed them that the attendance issues were nationwide and being addressed by the education team. There was engagement to get children into education. The matter had been discussed at a previous scrutiny committee addressing ALN and attendance issues and how the service was addressing them.

RESOLVED that the Governance and Audit Committee note the Estyn - formal outcome letter to local authority report.

10 FOR INFORMATION - ANNUAL REGULATION OF INVESTIGATORY POWERS (RIPA) REPORT

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

RESOLVED that the Governance and Audit Committee acknowledged and noted the Annual Regulation of Investigatory Powers (RIPA) Report.

11 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

Due to the time constraints of the meeting, the committee agreed that the chair discuss the forward work programme with officers outside of the meeting and that any changes or alterations be shared to all Governance and audit committee members through email.

RESOLVED that, subject to the above, the Governance and Audit Forward Work Programme be noted.