

AUDIT AND GOVERNANCE COMMITTEE 28/6/18

Present: Councillor R. Medwyn Hughes (Chair)
Councillor John Brynmor Hughes (Vice-chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Charles Wyn Jones, Huw G. Wyn Jones, Dewi Wyn Roberts, Paul Rowlinson and Angela Russell.

Lay Member: Sharon Warnes

Others invited: Peredur Jenkins (Cabinet Member for Finance) and Edgar Owen (Ex-officio Member).

Also in Attendance: Dafydd Edwards (Head of the Finance Department), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Senior Revenue and Risk Manager), Geraint Owen (Head of Corporate Support Department - for Item 5 on the agenda), Dewi Wyn Jones (Council Business Service Support Manager - for Item 6 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors John Pughe Roberts and Gethin Glyn Williams.

1. DECLARATION OF PERSONAL INTEREST

Councillor Dewi Wyn Roberts declared a personal interest in item 5 on the agenda - 'Local Conditions of Service' as his wife had received the letter and that the changes affected her financially.

The member was of the opinion that it was not a prejudicial interest, and he did not withdraw from the meeting during the discussion on the item.

2. MINUTES

The Chair signed the minutes of the meeting of this committee held on 10 May, 2018, as a true record.

3. LOCAL CONDITIONS OF SERVICE

The Chair noted that the item was before the Committee in response to a request received by two Committee members, Councillors John Brynmor Hughes and Angela Russell, to discuss the letter sent to Council staff informing them of the Council Cabinet's decision on 13 March 2018 to adopt adaptations to Council conditions of employment.

The Head of Corporate Support Department submitted the report, and noted that a letter had been sent to staff on 26 March to inform them of the Cabinet's decision, in his name as the Head of Department with responsibility for implementing the decision. He explained that a follow-up letter had been sent on 3 April apologising to staff for the tone of the letter and the choice of words used. He noted that the apology was sincere and that it needed to be done. He emphasised that an important lesson had been learnt about the need to be respectful.

Councillor Angela Russell thanked the Head of Department for his honesty. She noted that she was concerned about the letter's impact on staff morale. She asked whether an error had been made as a result of the impact of cuts with insufficient staff to undertake the work and the pressures placed on them. In response, the Head of Corporate Support Department noted, as he reported in the Corporate Support Cabinet Member's performance challenge meeting, that he was not going to hide behind a lack of capacity and that he acknowledged,

that an error had been made. He emphasised that it would not happen again and that steps were now in place to ensure this.

Councillor John Brynmor Hughes noted that he was present at the Corporate Support Cabinet Member's performance challenge meeting and that he had accepted the Head's explanation and the fact that lessons had been learnt and the promise that such a situation would never arise again.

In response to a question from a member regarding who had seen the letter prior to it being sent to staff, the Head of Corporate Support Department noted that a solicitor specialising in the field of employment, who represented the Monitoring Officer, had looked at the letter to verify that it was factually correct. He explained that the tone of the letter was a matter for him as the Head of Department.

A member enquired whether or not the Chief Executive had seen the letter. In response, the Head of Corporate Support Department noted that the Chief Executive had not seen the letter as it was an operational matter.

In response to a question from a member regarding how many staff had responded to the letter, the Head of Corporate Support Department noted that 50% had responded to the letter. He explained that the letter of apology sent to staff noted that if staff did not respond to the letter, and that they were present at work when changes to conditions of employment would come into force on 1 July 2018, their presence would confirm that they accepted the changes.

A member noted that he had received a copy of the letter as a school Governors Clerk although he had not held the post for four years. He enquired what impact the letter had had on staff morale. In response, the Head of Corporate Support Department noted that it had become apparent that the Education Department's school records needed to be updated. He explained that some schools did not inform the Education Department of changes. He noted that the Department's records had been updated since the letter was sent. In terms of staff morale, an impact had been unavoidable, with a mixture of response from staff with some unaffected and some who had felt unnecessary anxiety as a result of the original letter.

In response to a question from a member regarding the support available for staff, the Head of Corporate Support Department noted that a helpline was available for staff where they could talk with Human Resources Advisers to receive assurance about the situation and that he had spoken to some individuals himself.

A member enquired whether or not there had been any staff resignations as a result of the letter. In response, the Head of Corporate Support Department noted that no individual had resigned as a result of the letter.

The Chair thanked the Head of Corporate Support Department and that he hoped that lessons had been learnt. In response, the Head of Department noted that he could guarantee that nobody was more disappointed than himself that this had taken place.

RESOLVED to accept the report.

4. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS

The Council's Business Support Manager set the context, and noted that the role of the Committee was to satisfy itself that arrangements and processes were underway to ensure that improvement proposals of external reports were implemented, and that the Committee should not duplicate an investigation into matters that were within the remit of other scrutiny committees.

He referred to Appendix 1 of the report which included a chronological list of the inspections undertaken by external auditors between 2012/13 and 2017/18 along with their improvement proposals, and the progress made by the Council against these proposals since the Committee discussed the matter at its meeting on 30 November 2017. He explained that it was the relevant Department's observations noted under the 'Progress against improvement proposals' heading, with the independent opinion of officers from the Council's Business Support Unit noted under the 'Conclusion' heading. He noted that it was a matter for the Committee to decide whether or not they agreed with the conclusion that the work of realising the recommendation had been 'completed' or continued to be 'on-going'.

During the discussion, the following main points were noted by members:

- The 'Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales (CSSIW) 2013/14' report had been submitted quite a long time ago. Who completed health assessments for looked-after children and was a shortage of doctors a reason for the reduction in the performance percentage of registering with a GP within 10 days?
- Progress regarding improvement proposals in the report noted above was a matter that needed to be addressed;
- The Care Scrutiny Committee should be asked to consider scrutinising matters highlighted by the 2013/14 and 2014/15 CSSIW reports, the 'Helping People to Live Independently: Do Councils Do Enough?' report, along with the 'National Review of care and assistance to people with learning disabilities (Joint-review carried out by CSSIW and the Health Care Inspectorate)', and work undertaken to respond to the improvement proposals;
- The Communities Scrutiny Committee should be asked to consider scrutinising matters highlighted in the 'Delivering with Less - the impact on environmental health services and citizens' report, and work undertaken to respond to the improvement proposals;
- Confirmation should be received in terms of which committee should consider the 'Asset management [Land and Buildings]' report;
- In terms of the 'Community Safety in Wales' report, if the matter was in this Committee's terms of reference, the Committee should receive a report on the matter;
- An explanation should be received of why three improvement proposals under the 'People Strategy' report had not been completed.

A member enquired whether or not there was a time-scale to complete the work of responding to improvement proposals. The Council's Business Support Manager noted that a time-scale to complete the work of responding to recommendations would be considered when an update would be submitted to the Committee in six months.

The Senior Revenue and Risk Manager took the opportunity to update members on progress against recommendations in relation to the 'Risk Management - An assessment that is based on the risk of the Council's corporate arrangements' report. He confirmed that a report on the Council's risk management arrangements would be before the next meeting of the Committee on 19 July.

The Head of Finance Department referred to improvement proposal six under the 'Local authorities arrangements to charge a fee for services and generate income' report - "Improve the arrangements for anticipating income from payments by planning scenarios and conducting sensitivity analysis", which had been noted as "on-going". He noted that the recommendation was an aspiration and that it was not a core matter, priority was given to focusing on the savings work and work associated with the Council's budget. He suggested that consideration should be given to note that work associated with this specific recommendation was to be done when resources were available and to remove it from the list to be submitted again to the Committee.

As the above recommendation was not a priority, a member noted that it should be noted as 'completed'.

A discussion was held on the forward scrutiny of service changes business cases to respond to the improvement proposal from the 'Good governance when determining significant service changes' report. A member expressed his concern about the role of ordinary members in the democratic process with the onset of the cabinet system in 2012. He added that matters were being raised by members who did not receive a response. He noted that a bridge was needed between general members and cabinet members. He referred to the last meeting of the Controls Improvement Working Group where relevant Cabinet Members had not been present.

The Head of Finance Department noted that the Council's Budget report would be submitted before the Council before the matter went before the Cabinet and the Full Council. Matters such as re-modelling the Youth Service and developments relating to the North Wales Growth Deal had been scrutinised in advance by the Education and Economy Scrutiny Committee. He explained that there was a restriction in terms of the number of matters that could be considered.

A member noted that the Scrutiny Forum should be asked to consider the situation in terms of forward scrutiny with regards to service changes business cases.

RESOLVED:

- (i) **to accept the report subject to noting that improvement proposal six under the 'Local authority arrangements to charge a fee for services and generate income' report is "completed";**
- (ii) **to ask the Care Scrutiny Committee to consider scrutinising matters highlighted by 2013/14 and 2014/15 CSSIW reports, the 'Helping People to Live Independently: Do Councils Do Enough?' report, along with the 'National Review of care and assistance to people with learning disabilities (Joint-review carried out by CSSIW and the Health Care Inspectorate)', and work undertaken to respond to the improvement proposals;**
- (iii) **to ask the Communities Scrutiny Committee to consider scrutinising matters highlighted in the 'Delivering with Less - the impact on environmental health services and citizens' report, and work undertaken to respond to the improvement proposals;**
- (iv) **to receive confirmation in terms of which committee should consider the 'Asset management [Land and Buildings]' report;**
- (v) **that the Committee receives a report in relation to the 'Community Safety in Wales' report, if the matter is in the Committee's terms of reference;**
- (vi) **to receive an explanation why three improvement proposals under the 'People Strategy' report had not been completed;**
- (vii) **to ask the Scrutiny Forum to consider the situation in terms of forward scrutiny with regards to service changes business cases.**

5. FINAL ACCOUNTS 2017/18 – REVENUE OUTTURN

The report was submitted by the Senior Finance Manager, she set the context and elaborated on the content of the report that had been submitted to Cabinet on 22 May 2018. She noted that the final financial position of the Council's departments for 2017/18 confirmed that there was effective financial management by the relevant Cabinet Members, department heads and budget managers.

She drew attention to the Cabinet's decision:

"1.1 To consider and note the final financial position of the Council's departments for 2017/18.

1.2 To approve the amounts to be carried forward (the "Revised Over/(Under) Spend" column of the summary in Appendix 1), namely -

DEPARTMENT	£'000
Adults, Health and Well-being	(100)
Children and Families	100
Education	0
Economy and Community	(35)
Highways and Municipal	100
Environment (formerly Regulatory)	(100)
Gwynedd Consultancy	(82)
Corporate Management Team and Legal	(66)
Finance	(66)
Corporate Support	(67)

1.3 To approve the following recommendations and virements (as explained in Appendix 2):

- Transfer £457k, equivalent to the supporting delivery of social services grant over the winter period to a specific fund to support the flexibility and facilitate transformation in the field of Adults in future.
- Harvest (£37k) of the underspend, namely the sum above (£100k) for Adults, Health and Well-being, to be used to assist the departments who overspend this year.
- The Children and Families Department to receive one-off financial support of £676k to alleviate the majority of the 2017/18 overspend, allowing them to move forward to face the challenges of 2018/19.
- Transfer £207k to eliminate the Education Department's overspend, whilst transport policies and arrangements are being reviewed.
- Highways and Municipal Department to receive one-off partial financial support of £203k to limit the overspend to be carried forward by the Department to £100k, to assist them with facing the challenge of 2018/19.
- Transfer £378k of the Environment Department's 2017/18 underspend to a specific fund, relating to buses and routes costs, to be used in 2018/19.
- Harvest (£89k) of the Environment Department's underspend, namely the sum above (£100k), to be used to assist the departments that overspend this year.
- Harvest (£894k) of the net underspend on Corporate budgets (on Council Tax Reduction, bids and budgets returned by departments and on other headings), and transfer to assist the overspending departments in 2017/18.
- Transfer £66k from the Financial Strategy Support Fund, namely the balance required, to support the departments that overspend.

1.4 To approve the virements from the specific reserves as outlined in Appendix 3 following a review of the reserves, namely:

- Harvest (£2.915m).
- Assign £2.749m to the Council Plan.
- Assign £166k to waste issues."

The Cabinet Member for Finance noted that the financial position was generally very acceptable. He explained that relevant Cabinet Members had explained reasons for the overspend in the Children and Families Department and the Highways and Municipal Department at the Cabinet meeting on 22 May 2018. He confirmed that assurance had been received at the meeting that overspend was being addressed.

The Head of Finance Department noted that there had been an underspend in the Education Department, Environment Department and the Adults, Health and Well-being

Department, as the Council had received grant funding from Welsh Government at the end of the financial year. He confirmed that grant funding had been assigned to commitments in the 2018/19 financial year.

Whilst he welcomed the receipt of grant funding, the Cabinet Member for Finance noted that it was not ideal for the Council to receive it during the period when it closed its accounts. He explained that he would take the opportunity to discuss the forward programming of grant funding payments with Welsh Government so that the Council could forward plan.

A member noted his gratitude for the work and reiterated the Cabinet Member's observation that Welsh Government needed to be contacted about the need to forward programme grant payments as receiving grant funding at the end of a financial year made officers' work difficult.

During the ensuing discussion, officers and Cabinet Members responded to members' enquiries as follows:

- An update was provided regularly to the Committee about the overspend situation on taxis to transport pupils to schools. The Education Department had received £207k to eliminate the overspend, whilst transport policies and arrangements were being reviewed. The situation would be reported upon in the next budget review report;
- In terms of the reason for the overspend under the 'Provider Service' heading in the Adults, Health and Well-being Department, school meals income did not cause the overspend. School meals income affected specific secondary schools and the Education Department in the primary sector;
- In terms of the loss of income on parking fees, the target of 2017/18 parking fees income was increased higher to what had been collected in 2017/18, in order to contribute towards the savings of the Environment Department. Having considered the income collected from car parks of £1.795m, an income deficit of £50,000 was a very small percentage;
- With regards to overspend in terms of Council Tax as a result of the District Valuer's Office allowing 282 properties to transfer from the Council Tax to the Non-domestic Rates list, that the Holiday Homes and Taxes Scrutiny Investigation, officers and Cabinet Member had warned that there would be a risk of losses in terms of the tax premium on second homes as legislation was not entirely sound. When potential income had been estimated, it was noted that the Council would not receive £5m as a result of the premium, but that realistically the Council would receive approximately £2m. The situation was not unexpected, and there was no reason at the moment to adjust the estimated income level expected in the 2018/19 financial year. It was seen that the number of transfers to the non-domestic rates list in 2017/18 was over 50% higher than in previous years, with the impact of back-dating some applications to 2010/11. The Cabinet Member for Finance had written to Welsh Government regarding the matter in the last month;
- The situation in terms of the tax premium on second homes was being regularly monitored by the Cabinet Member for Finance, and he was of the opinion that legislation to exact that planning permission be received in order to change a house to a business and this had been noted in the letter sent to Welsh Government. Confirmation was received from the District Valuer that they did not have staffing resources to monitor the system. A report would be submitted to a meeting of the Cabinet in the Autumn on the situation in terms of tax premiums on second homes.

RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments.

6. CAPITAL PROGRAMME 2017/18 – END OF YEAR REVIEW

The report of the Head of Finance Department was submitted, providing details of the end of year review of the capital programme.

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to Cabinet on 22 May 2018. It was noted that the Council had succeeded in spending over £23m in 2017/18 on capital programmes, and £11m had been funded through attracting specific grants. It was confirmed that £15.6m of the expense budget would slip from 2017/18, compared to a slippage of £9.9m at the end of 2016/17. No loss of grant funding was caused to the Council where schemes had slipped.

A member enquired whether or not the Council had to immediately spend the grant receipts that had been received in the last quarter of 2017/18 to restore roads and transport. In response, the Head of Finance Department noted that councils were allowed to carry funding forward and that most of the funding would be spent in 2018/19.

In response to a question from a member, the Head of Finance Department noted that there was evidence that more funding was received at the end of the financial year; if Welsh Government had not spent all of the funding earmarked for specific projects, they would transfer the money to local councils.

The Cabinet Member for Finance thanked him for the work and he congratulated Council departments on their success in attracting grants for the benefit of Gwynedd residents.

RESOLVED to note the situation and the relevant risks in the context of the Council's capital programme.

7. 2017/2018 SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

The report of the Head of Finance Department was submitted which reported on the latest situation on realising the saving schemes.

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to Cabinet on 22 May 2018. She noted that 108 of 122 of the 2017/2018 savings schemes had been fully or partly realised. In financial terms, she confirmed that 81% of the savings had been realised.

On 13 February 2018, she noted that the Cabinet had decided to combine several individual schemes from the Adults, Health and Well-being Department to work streams that were realising savings from the same budgets. It was anticipated that this would enable the Department during 2018/19 to make substantial progress towards realising the savings that had slipped.

She reported that the prospects of realising 2018/19 savings schemes were generally promising.

RESOLVED to note the situation and the relevant risks in the context of the savings overview.

8. STATEMENT OF ACCOUNTS 2017/18

The Senior Finance Manager set out the background and context of the report. Attention was drawn to the fact that unaudited draft accounts were being submitted here for information, with the final version to be submitted for the Committee's approval at the meeting on 27 September 2018. She reported that a link to the statement had been sent to all Council members on 20 June and that the statement was subject to an audit from the Deloitte company, the Council's external auditors which had been appointed by the Wales Audit Office since 18 June.

The Senior Finance Manager expanded upon the content of the Statement of Accounts.

The Cabinet Member for Finance referred to the Transformation / Invest to Save Fund and noted that it had been a strategic fund to deliver in accordance with the Council Plan and approximately £5m had already been earmarked. She explained that the purpose of the Financial Strategy Support Fund was to bridge expenditure before some of the savings schemes were delivered.

In response to a question by a member regarding the Transformation / Invest to Save Fund, the Head of Finance Department explained that the funding was for Council priorities which had been noted in the Council Plan. He elaborated that £50,000 had been allocated for the 2018-19 financial year in order to realise the 'Increasing the Benefits of Major Events' scheme. He explained that Council Departments would come before the Cabinet with more detail on ideas to deliver the plan's priorities.

The Head of Finance Department noted that the Senior Finance Manager and the team of accountants had undertaken most of the work on the Statement of Accounts, and that he had verified the Statement. He reported that a Pension Fund's Statement of Accounts for 2017/18 prior to an audit would be submitted to the Committee at its meeting on 19 July 2018.

The Cabinet Member for Finance thanked the Finance Department officers for their accurate and detailed work, and noted that the Wales Audit Office praised the Council's accounts and that he hoped that they would do the same this year. He took the opportunity to thank Council officers for their response to difficult financial requirements.

The Chair reiterated the above observations and expressed his gratitude for the work.

RESOLVED to accept and note the 2017/18 Statement of the Council's Accounts (subject to an audit).

9. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2017/18

The Senior Revenue and Risk Manager set out the background and context of the report.

It was noted that the Governance Arrangements Assessment Group had considered the Core Principles and Sub-principles in the CIPFA / SOLACE Framework, *Delivering Good Governance in Local Government 2016*, and had created a Governance Risk Register. Attention was drawn to the fact that the Governance Risk Register identified risks in 22 different governance fields, and noted the controls in order to mitigate the risks. It was noted that action plans for the areas of high or medium priority had been noted in the statement.

A member gave thanks for the work. She referred to the impact assessment under the heading 'Lawfulness'; although she recognised that the document was on a high strategic levels, she noted that she was of the view that the assessment was fairly restrictive and focused on the role of the Monitoring Officer and formal decisions. She noted that a number of matters were being raised at Committee meetings regarding compliance with acts across the Council, for example, in the fields of Health and Safety and Safeguarding Children and Vulnerable Adults.

In response to the above observations, the Senior Revenue and Risk Manager noted that an attempt was made to avoid duplicating information under various headings. He explained that matters in the fields of Health and Safety and Safeguarding Children and Vulnerable Adults were being addressed under the 'Risk Management' heading. He emphasised that a Governance Statement was before the Committee and that performance matters were being included in the Council's Annual Performance Report.

The Senior Revenue and Risk Manager referred to the 'Internal Control' heading, and noted that the boundary regarding the role of members in terms of scrutiny and audit was unclear and that the development of a training programme was needed so that members could receive guidance. He noted that a report on the matter would be submitted to the Committee on 19 July.

RESOLVED:

- (i) to approve the Annual Governance Statement for 2017/18;**
- (ii) to recommend that the Council Leader and the Chief Executive sign the statement.**

10. GWYNEDD HARBOURS' FINAL ACCOUNTS 2017/18

The Senior Finance Manager submitted the report regarding the final accounts of Gwynedd Harbours for the year 2017/18 in line with the statutory requirements under the Harbours Act 1964. It was noted that the accounts included Aberdyfi, Barmouth, Porthmadog and Pwllheli harbours.

It was noted that Gwynedd Harbours, due to its turnover not exceeding £2.5m, was considered to be a small local government body as defined in the Accounts and Audit (Wales) (Amendment) Regulations 2018. It was explained that completion of a statements of accounts form provided by the Wales Audit Office satisfied the statutory requirements and that production of full statutory financial statements were not required.

It was reported that the accounts and the form would soon be the subject of an audit by Deloitte, Gwynedd Council's external auditors which had been appointed by the Auditor General for Wales, and an amended version would be submitted to a meeting of the Committee on 27 September 2018 should there be any changes.

RESOLVED:

- (i) accept and approve the information in the appendices, namely -**
 - Income and Revenue Expenditure Account 2017/18 - Appendix A; and**
 - Statements of Accounts form for 2017/18, for audit - Appendix B.**
- (ii) authorise the Chair to sign the statements of accounts form 2017/18.**

The meeting commenced at 10.00am and concluded at 12.20pm

CHAIR