
AUDIT AND GOVERNANCE COMMITTEE 14/10/21

Present:

Councillors: Chair: Councillor John Pughe Roberts
Vice-chair: Councillor R. Medwyn Hughes

Alwyn Gruffydd, Peredur Jenkins, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams

Sharon Warnes (Lay Member)

Officers:

Dafydd Edwards (Head of Finance Department), Dewi Morgan (Assistant Head - Revenue and Risk), Ffion Madog Evans (Senior Finance Manager), Luned Fôn Jones (Audit Manager), Siân Pugh (Group Accountant - Corporate and Projects), Caren Rees Jones (Group Accountant - Capital and Management), Aron John (Finance Professional Trainee), Caleb Elis (Finance and Accounting Professional Trainee), Geraint Owen (Head of Corporate Support Department), Ian Jones (Assistant Head of Corporate Support Department), Alun Lloyd Williams (Senior Learning and Development Officer), Arwel Evans (Procurement Manager), Dewi W Jones (Council Business Support Service Manager) and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Councillor Ioan Thomas (Cabinet Member Finance)
Alan Hughes (Wales Audit)
Yvonne Thomas (Wales Audit)
Derwyn Owen (Wales Audit)
Bethan Adams (Scrutiny Advisor)

1. APOLOGIES

Apologies were received from Councillors Aled LI Evans, Selwyn Griffiths, John Brynmor Hughes and Nia Jeffreys (Cabinet Member for Corporate Support).

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the previous meetings of this committee, held on 15

July 2021 as a true record.

5. FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 AND RELEVANT AUDIT

Submitted – the report of the Head of Finance Department, requesting that the Committee considered and approved the Statement of Accounts 2020/21 (post-audit), Audit Wales' 'ISA260' report and the Letter of Representation (Appendix 1 to the Audit Wales report), before authorising the Chair to certify the letter electronically.

It was reported that there were minor amendments to the version submitted to the Committee in June 2021 and the following were highlighted:

- Note 15 - Property, Plant and Equipment - reduction of £2.9 million in the value of assets, following a correction to the valuer's original figures
- adjustment between accounts mainly relating to the valuation of 35 schools as a result of issues in inputting technical categories that needed to be checked. The amendment had not affected the value of the assets, rather it had led to a reduction of £20.7 million in the re-valuation and impairments figures.
- Added more details about the main capital commitments including Ysgol y Faenol, Cymerau, Glancegin and Hafod Mawddach Dementia Unit.
- Note 19 - Cash and Cash equivalent - change to the handling of GwE Joint-committee finance, which was now shown in Gwynedd's accounts - this had led to reducing the bank overdraft of £5.96 million and increasing the short-term creditors in Note 21 by the same amount. Consequently, there were implications to the principal instruments, namely the Balance Sheet, Cash-flow Statement and movements in reserves and the Comprehensive Income and Expenditure Statement.
- Added figures to the narrative in:
 - Note 28 - Agency Services - added details about two education grants (did not entail any adjustments to the figures in the accounts). £33.4 million from the Regional Consortia Schools Improvement Grant and £20 million from the Pupil Development Grant.
 - Note 39 - Contingent Liabilities - no impact on the statement figures only to increase the figure included in the sentence by £450k.

It was confirmed that the audit of Gwynedd Harbour accounts had been completed and there was no need to resubmit them to the Committee.

Derwyn Owen (Wales Audit) was invited to submit the 'ISA260' report. He noted that the auditors intended to issue an unqualified audit opinion on the accounts this year, once the Letter of Representation had been signed. He provided details on: -

- The effects of Covid-19 on this year's audit
- Proposed Audit Opinion
- Significant issues arising from the audit, including uncorrected misstatements and other significant matters
- Recommendations

The Accountants were thanked for their cooperation and thorough work. The

need to check valuers' work in future was accepted.

The Finance Department was congratulated on the work and for presenting the information in a coherent way.

RESOLVED

- **To accept and approve the 'ISA260' report by Audit Wales in respect of Gwynedd Council**
- **To accept and approve the Statement of Accounts for 2020/21 (post-audit)**
- **The Chair of the Committee and the Head of Finance Department to certify the Letter of Representation electronically.**

6. REVENUE BUDGET 2021/22 –END OF AUGUST 2021 REVIEW

Submitted - the report of the Cabinet Member for Finance, Councillor Ioan Thomas, requesting that the Committee noted the position and relevant risks in respect of the Council's budgets and those of its departments, considered the Cabinet's decisions of 12 October, 2021 and provided comments as required.

The Cabinet Member for Finance set out the context for the report, noting the following: -

- That the significant financial impact of Covid-19 continued in 2021/22, which was a combination of additional costs, income losses (equating to over £20 million in 2020/21) as the Council had given priority to safeguarding the health and lives of the people of Gwynedd in response to the crisis.
- Despite creating an amended programme of savings for 2021/22 by abolishing, slipping and re-profiling savings schemes in January 2021, there remained a delay in implementing savings in some fields, with a delay as a result of the crisis an evident factor. It was noted that there was a significant overspend in the Adults, Health and Well-being Department and the Highways and Municipal Department whilst there was a marked improvement in the projections of the Children and Families Department.
- Applications for compensation from Welsh Government's Hardship Fund were being submitted on a monthly basis.
- The Cabinet had accepted all the recommendations noted in the report to the Cabinet on 12-20-21.

The Senior Finance Manager referred to a summary of the final position of all departments and highlighted the fields where there had been significant differences.

- An overspend of £1.4 million was projected in the Adults, Health and Well-being Department, with a failure to realise savings worth £855k being an obvious factor of the overspend. It was expressed that covid had had a substantial impact on the department and £1.3 million had already been claimed from the Welsh Government towards the additional costs for the period.
- Following the Council's decision to allocate £1.8 million in additional funding to the Children and Families Department in the 2021/22 funding cycle, as well as abolish savings schemes to the value of £1.1 million it

was highlighted that the current financial projections for the department were very promising.

- It was stated that overspend problems in the waste collection and disposal field continued within the Highways and Municipal Department. It was noted that there had been difficulties in realising savings in a number of areas to the value of £673k and the department had faced additional costs responding to covid. Nevertheless, it was reiterated that Welsh Government had already compensated them and it was expected that it would continue to compensate them for the remainder of the year.
- It was noted that corporately there were prudent projections when setting the 2021/22 budget that were responsible for additional tax outputs and contributed to the underspend on Council Tax Reductions.

The members expressed their thanks for the report.

During the ensuing discussion, the following observations were made by members:

- It appeared that covid was being blamed for everything - were we looking at the picture properly? Were we certain that departments' management were on top of their work? That the situation was not buckling under pressure due to home working?
- What was the risk that the Government would refuse further compensation if it appeared that covid was being used as an excuse within departments?
- Gwynedd was a destination for retired residents who had not contributed to the area - a serious challenge especially to the costs of the Adults, Health and Well-being Department?
- Overspend in the Adults, Health and Well-being Department and the Children and Supporting Families Department was not new - the overspend existed before covid and the situation was likely to be exacerbated due to covid - was there a need to place more pressure on the government and seek more funding?

In response to the comments, the Head of Finance Department noted:

- That the Corporate Management Team reviewed the service continuation level every fortnight and monitored the levels of financial concerns as concerns were continuing, more problems were arising and there were requests for support from department to department due to the pressures of the crisis. It was noted that the report was heartening on the whole and the situation was comparatively satisfactory with a mandate from the Cabinet to the Chief Executive and the Head of Finance Department to get to the root of the problems in both departments to seek a solution - he agreed there was a need to take a look at the position and the failure to realise the savings
- Information about the allocation of the basic grant for 2022/23 would be received in December 2021 and the Council's position was robust enough to bridge short-term schemes should the grant be lower than expected. It was reiterated there was an opportunity to weigh up the situation and establishing a New Council in May 2022 would be a good opportunity to re-discuss the savings. It was noted that the grant received from the Welsh Government Hardship Fund was significant and was currently funding homelessness, care and free school meals. It was highlighted that the relevant Welsh Government Minister, Rebeca Evans, had stated that there would be no Hardship Fund from April

2022, unless circumstances change. It was noted that local authority representatives had conveyed concerns and risks to Government, and that if the fund ceased, an appropriate addition to the 2022/23 grant settlement would be required.

- There was an element of recognition in the grant for the number of older people along with pupil numbers. That the Council's decision to increase council tax by 100% on second homes was proof that the Council was doing its utmost to find contributions towards costs.
- There was now stability in the Children's Service through securing the right budget and grant bids. The Adults, Health and Well-being Service and the Highways and Municipal Department were to receive further attention over the next few months. It was noted that there were fair estimates in terms of the savings budget and it was suggested that those savings that had not been delivered could possibly be a management issue - the situation was down to failure to act rather than incorrect budgeting.

RESOLVED

- **To accept the report**
- **To note the situation and the relevant risks in the context of the Council's budgets and its departments.**

7. CAPITAL PROGRAMME 2021/22 – END OF AUGUST 2021 REVIEW

Submitted - the report of the Cabinet Member for Finance, Councillor Ioan Thomas. The main purpose of the report was to present the revised capital programme (position at end of August 2021).

The Cabinet Member for Finance set out the context for the report, noting the following: -

- The impact of Covid-19 was continuing along with an increase in the price of building materials which was leading to a failure to complete some schemes - accepted the need to hold further discussions and prioritise / postpone some projects.
- An analysis of the £124.0 million capital programme for the next three years had been included in the report.
- The Cabinet had accepted all the recommendations noted in a report on 12-10-21 approving the amended finance worth £25.8 million from various sources to fund slippages from 2020/21 and also an increase of £12.4 million from a number of sources.

The Senior Finance Manager reiterated

- That the Council had specific plans in place to invest approximately £71.6 million this year, with £26.1 million financed by specific grants.
- The impact of the Covid crisis could still be seen on the capital programme, with only 16% of the budget having been spent by the end of August, compared to 13% for the same period last year and 19% two years ago.
- That £9.1m of proposed expenditure had been re-profiled from 2021/22 to 2022/23 and 2023/24 and the main schemes were highlighted which included 21st Century Schools, Schemes to Stimulate the Economy

and Industrial Units and Schemes to Manage the Council's Carbon.

Attention was drawn to the list of additional grants the Council had managed to attract since the previous review, which included grants from the Local Transport Fund, Targeted Regeneration Investment for the 'Nyth' Scheme in Bangor and Welsh Government Grants for Child Care.

The members thanked the officer for the report.

During the ensuing discussion, the following observation by a member was noted:

- That the departments were obviously searching for every financial help possible.

In response to a question on the risk of losing European funding in the relation to the Llanbedr Bypass, it was noted that a planning application was in place for the project and the finance had already been committed. It was reiterated that Welsh Government was prioritising the matter and would review the agenda again in order to protect European money - a decision would be made in the coming weeks.

In response to an observation that there had been no apparent improvement in public transport services despite receiving the grants, it was noted that the grants were paid to develop infrastructure and not for the service directly.

RESOLVED

- **To accept the report**
- **To take note of the situation and the relevant risks in the context of the Council's capital programme.**

8. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

Submitted - the report of the Cabinet Member for Finance requesting that the Committee noted the position and relevant risks in respect of the Savings Overview, considered the Cabinet's decisions of 12 October, 2021 and provided comments as required.

It was explained that departments had focused on responding to the covid crisis since April 2020, by prioritising the safety of Gwynedd residents - this therefore had contributed to a slippage in the savings programme.

The Senior Finance Manager reiterated:

- Since 2015/16, £35m in savings had been approved to be realised between 2015/16 and 2021/22. It was noted that by now over £32.7 million had been realised, this was 94% of the required sum over the period.
- In January of this year, the savings schemes had been reviewed to assess which historic schemes were now unachievable, and an amended programme of savings had been drawn up for 2021/22 after steps were taken to write off, slip and re-profile the savings schemes.
- Of the 2021/22 savings schemes, 42% had already been realised and 22% were now on track to deliver on time by the end of the financial

year.

- Realising savings to the value of £32.7m since April 2015 had been challenging. It was stated that although there had been a delay with some of the savings schemes to the value of £1m, they were proceeding but there was a need to discuss the risks in delivering schemes to the value of £0.9m.

It was reported that the Cabinet had accepted all the recommendations and the information about progress in realising the savings schemes for 2021/22, 2020/21 and previous years (noting that the impact of Covid-19 had contributed to a slippage in the savings programme). It was reiterated, as the Council has given priority to responding to the crisis, that it had not been possible to continue with the performance challenging and savings arrangements during the crisis period.

In response to a request from the Cabinet to hold a review of the savings schemes that had not yet been realised and to ensure that it was possible to deliver schemes in future and/or search for alternative plans, it was noted that arrangements had now been made to hold discussions with the departments.

During the ensuing discussion, the following observations were made by a member:

- That the report was heartening although there were some weak areas.
- That the savings were a very small percentage of department budgets - a suggestion to include budget information v % savings in future.

DECISION:

- **To accept the report**
- **To note the situation and the relevant risks in the context of the Savings Overview.**

9. OUTPUT OF THE INTERNAL AUDIT SECTION

Submitted- for information, the report of the Audit Manager updating the Committee on the internal audit work for the period from 1 February 2021 up to 31 September 2021. It was highlighted that 10 of the plan's audits had been completed along with four which had slipped from the 2020/21 plan.

Reference was made to every audit in turn - there were no matters arising

The members thanked the officer for the report

RESOLVED:

- **To accept the report**
- **To support the actions that have already been agreed with the relevant services.**

10. INTERNAL AUDIT PLAN 2021/22

Submitted, for information, a report of the Audit Manager updating the Committee on the current situation in terms of completing the Internal Audit

Plan 2021/22. She referred to the status of the work along with the time spent on every audit. It was highlighted that 18.87%, or 10 of the 53 individual audits in the plan, had been released in a finalised version / completed.

The members thanked the officer for the report.

In response to a question about carrying out audits under covid guidelines, it was noted that it was not possible for the service to visit care homes, schools etc. and that it was difficult to obtain documents that were not available electronically - this was a barrier if it was a historical audit. It was reiterated that using Teams was not an effective way of enquiring about contentious or sensitive matters.

The Head of Finance Department thanked the Audit Manager for her work and highlighted that the staff of the Audit service had also been assisting / transferred to other departments

RESOLVED

- **To accept the report, noting the progress made against the audit plan 2021/22.**

11. OVERVIEW OF THE APPRENTICESHIPS PROJECT

Submitted - a report providing an overview of the Apprenticeships Project highlighting successes, challenges and future developments. The Members were reminded that the Cabinet (22/01/19) had committed £300,000 from the Council Plan Fund to establish the Apprenticeships Scheme to employ up to 20 new apprentices in 2019. It was reported that the plan had now been included as a priority field in the 2018 - 2023 Council Plan and the scope of the Apprenticeships Plan project had been expanded and renamed as Workforce Planning.

Since the start of the plan in 2019, 30 had been recruited with 10 of the 2019/20 apprentices having been offered a post with the Council. It was reiterated that it was intended to advertise another seven posts by the end of the year bringing the total to 37. At a meeting of the Cabinet in May 2021, an application for an additional £600,000 over three years was approved with the aim of offering at least 20 apprenticeships a year during the funding period. This would enable providing the necessary support and administration for the scheme along with developing the plan to work more with small businesses, local contractors and social enterprises.

The members thanked the officer for the report

During the ensuing discussion, the following observations were made by members:

- The department was congratulated on the work and for driving this successful scheme forwards.
- That the field was exciting with interesting future developments,
- A request for information highlighting those who had left to work in other organisations - this also demonstrated the scheme's value.

In response to a question regarding how the scheme ensured that new apprentices felt part of the team/department due to the requirement to work

from home, it was noted that the individuals received intense support on a weekly basis from the Learning and Development Team along with support from Managers within the relevant departments to ensure that the apprentice did not feel side-lined.

In response to a comment that there was a staffing crisis in professional fields in two of the Council's departments and that apprenticeship schemes had not been included for those departments, it was noted that training schemes and professional qualifications were not available for all apprenticeship fields, but the Cynllun Rheolwyr ac Arbenigwyr Yfory addressed the legal and property fields. It was reiterated that discussions were continuing on 'filling the gaps' in these fields in future.

Responding to a question regarding methods for information sharing and the recruitment process, it was noted that a large proportion of the advertising work was done through social media, Careers Wales, Schools and Colleges. It was reiterated that details of individuals who had expressed an interest were kept on a register of approximately 500 names - they would receive information as opportunities arose.

In response to an observation regarding the shortage of carers and if it was possible to attract carers through the apprenticeships scheme, it was noted that a high number had expressed an interest in the care field. It was reiterated that the appointments process was achieved jointly between the central team and the service managers.

In response to an observation regarding developing apprenticeships jointly with private companies, there was a need to secure a firm foundation for the in-house scheme first before developing work placements outside the Council. Nevertheless, it was stated that preliminary work was being done to establish joint apprenticeships and that it would be possible to provide updates on this aspect as it developed.

RESOLVED

- **To accept the report**
- **To request an update of the Joint Apprenticeships, work with local companies and contractors when it has been developed.**

12. KEEPING THE BENEFIT LOCAL

Submitted - a report providing a progress update on the Council Plan priority project, Keeping the Benefit Local, which sought to ensure that local businesses were able to compete for and gain contracts so that as much as possible of the Council's spending remained in Gwynedd for the benefit of the local economy. It was highlighted that challenges such as Brexit and relevant legislation did limit some aspects of the procurement process but the Council was trying to do everything it could to increase the rate of Keeping the Benefit Local.

It was highlighted that one new method being trialled in Gwynedd was innovative procurement. The aim was to introduce a new tender assessment methodology that would enable the Council to include a Social Benefit for Gwynedd clause as a basis for assessing the tenders. It was intended for the social benefit clause to mean that local companies would have an opportunity

to demonstrate their contribution to the local economy if they were awarded a contract by the Council. It was noted that one contract had been awarded thus far using this methodology and this was due to conflict between the wish to keep the benefit local and the requirements of the Procurement Act. Nevertheless, it was considered that this single contract did show the potential for using the methodology and it would be possible to submit an update to the committee as more contracts were awarded.

The members thanked the officer for the report

During the ensuing discussion, the following observations were made by members:

- The Department was congratulated on the scheme.
- Innovative procurement was to be welcomed - the project was likely to support charities with a number of companies ready to offer local benefits.
- The project set out a structure and a boost for local enterprises

In response to an observation regarding securing local work / contracts / materials to deliver the vision of the Housing and Property Department to provide 1,500 affordable homes to the people of Gwynedd over the next six years, it was noted that there were incredible opportunities due to the Housing Scheme and that the Department's Category Team was working with the Procurement Unit to ensure that all the elements were included in the contracts. In response to a question regarding using local producers, it was noted that it was possible to look at the carbon footprint, the Welsh language and unemployment for this element, but it certainly highlighted the type of potential that needed strengthening for the future.

RESOLVED

- **To accept the report, noting the progress made with the project which has been recognised as one of the priority projects within the Council's Plan.**
- **Request for an update once the Innovative Procurement - Social Value Procurement Model workstream has offered more contracts.**

13. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS

Alan Hughes (AH), Wales Audit, was welcomed to the meeting.

Members were reminded that the item was to be considered as a governance role and not as a scrutiny role with a request that the Committee should be satisfied that there were appropriate arrangements in place to ensure that improvement proposals arising from external audits should be realised.

It was noted that the work of responding to most improvement proposals was continuous work and that the Governance Group, chaired by the Chief Executive, had been addressing the improvement proposals and the progress of the recommendations. AH reported that Audit Wales was now publishing quarterly reports as a means of summarising the audits that were ongoing locally, regionally and nationally.

The members thanked the officer for the report.

In response to an observation that a number of the findings noted the need for 'better use of data' and that this was a general matter to some extent, it was noted that Ffordd Gwynedd was an important part of the work and that steps had been implemented to improve data use over the last 18 months e.g. by setting up dashboards. It was accepted that there was a need to develop the work and make better use of the data by collecting and interpreting it to secure robust information. It was reiterated that the Governance Group kept a regular overview of the departments' work.

It was accepted that Heads of Department should act on the observations and that the report should be considered by the relevant Scrutiny Committees and Scrutiny Officers.

RESOLVED

- **To accept the report.**
- **To accept that appropriate governance arrangements and processes are in place in order to ensure that improvement proposals which arise from external audit reports are implemented.**
- **To ensure the matter is addressed by the Scrutiny Committees and Officers.**

The meeting commenced at 10.00 am and concluded at 12.25 pm

CHAIRMAN