



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 18TH NOVEMBER, 2021

Location

Virtual Meeting

Contact Point

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(DISTRIBUTED 10/11/21)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Berwyn Parry Jones
Paul John Rowlinson
Vacant Seat

Aled Wyn Jones
Peredur Jenkins
Gethin Glyn Williams

Huw Gruffydd Wyn Jones
W. Gareth Roberts
E. Selwyn Griffiths

Independent (5)

Councillors

John Brynmor Hughes
John Pughe Roberts
Richard Medwyn Hughes

Dewi Wyn Roberts
Angela Russell

Llais Gwynedd (1)

Councillor Alwyn Gruffydd

Gwynedd United Independents (1)

Vacant Seat - Gwynedd United Independents

Individual Member (1)

Councillor Sion W. Jones

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. MINUTES

4 - 12

The Chairman shall propose that the minutes of the meeting of this committee, held on 14th October 2021, be signed as a true record.

5. 2022/23 BUDGET STRATEGY

13 - 20

To consider the information, the risks arising from the strategy, and scrutinise the Cabinet's decisions

6. TREASURY MANAGEMENT 2021 - 2022 MID YEAR REVIEW

21 - 31

To consider the report

7. FINANCIAL SUSTAINABILITY ASSESSMENT

32 - 52

To consider the report, together with Gwynedd Council's responses to the recommendations

8. AUDIT WALES PROGRAMME AND TIMETABLE

53 - 64

To provide an update to the Committee on the Audit Wales work programme for Quarter 2

9. LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021

65 - 76

To consider the report and agree on a recommendation as to the future size of the Committee.

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 signed 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 BUDGET 2021/22 - END OF AUGUST 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 PROPOSALS FOR IMPROVEMENT FROM 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 and concluded at 12.25.

CHAIR

Agenda Item 5

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 18 NOVEMBER 2021

TITLE: 2022/23 BUDGET STRATEGY

PURPOSE: Financial Planning

ACTION: Receive the information, consider the risks arising from the strategy, and scrutinise the Cabinet's decisions

CABINET MEMBER: COUNCILLOR IOAN THOMAS

CONTACT OFFICER: DAFYDD L EDWARDS, HEAD OF FINANCE

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters, including budget reports, as appropriate.
2. The attached report (2022/23 Budget Strategy) was submitted to the Cabinet on 28 September 2021. The bulk of the content remains current, and we will provide the Committee with a verbal update on recent developments.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised.
4. The Audit and Governance Committee is asked to note the timetable, the forecasts and the relevant risks regarding the Council's budget strategy, consider the Cabinet's decisions, and comment as necessary.

Appendices:

- 28/09/2021 Cabinet decision notice
- 28/09/2021 Cabinet report: 2022/23 Budget Strategy

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting:	28 September 2021
Date decision will come into force and be implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution	13 October 2021

SUBJECT

Item 11: 2022/23 BUDGET STRATEGY

DECISION

- i. The procedure and timetable to draw up the 2022/2023 Budget was approved.
 - i. If there was a funding gap in balancing the 2022/23 budget, it was noted that the Council would use contingency budgets and reserves to mitigate resource losses in the short-term, and carefully identify any additional savings required during the summer of 2022.
 - i. The contents of the report were accepted as the Council's Medium Term Financial Plan, whilst noting that, in the current context, financial planning was extremely challenging.
-

REASONS FOR THE DECISION

It was noted that the report outlined the annual procedure of drawing up a budget for the 2022/2023 year, along with a Medium Term Financial Plan for the Council.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which had been included in the report.

MEETING: CABINET

DATE: 28 SEPTEMBER 2021

TITLE: 2022/23 BUDGET STRATEGY

PURPOSE: FINANCIAL PLANNING

AUTHOR: DAFYDD L EDWARDS, HEAD OF FINANCE

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

Decisions sought:

- A. Approve the procedure and timetable to construct the 2022/23 Budget.
 - B. Note that if there is a funding gap to balance the 2022/23 budget, the Council will use contingencies and reserves to mitigate resource losses in the short term, and carefully identify any additional savings required during the summer of 2022.
 - C. Accept the contents of the report as the Council's Medium Term Financial Plan, whilst noting that, in the current context, financial planning is extremely challenging.
-

Background

1. The purpose of this report is to give an outline of the budget setting procedure for the year 2022/23, together with a Medium Term Financial Plan for the Council.

Council Expenditure

2. The Council's accountants are currently doing the budget preparation work in terms of 2022/23 spending requirements, by estimating the impact of pay agreements, other inflation, adjusting unavoidable contributions and other spending commitments.
3. Inevitably, several requests for additional resources will be submitted by Council services facing unavoidable pressure, and with the Chief Executive and Cabinet members, we will be assessing these 'bids' over the coming months.

Government Grant

4. The other side of the coin is the grant resources which will be available to the Council in order to fund these commitments. The Welsh Government have indicated their intention to issue their **2022/23 provisional local government settlement on 21st December 2021** (after publishing their 2022/23 Draft Budget on 20th December 2021) and the **final local government settlement on 2nd March 2022** (after publishing their final Budget on 1st March 2022). These dates may change, as they depend on the UK Government's spending round and the next phases of the pandemic.

5. This timetable will be challenging for local authorities, with an extended period of financial uncertainty following the impact of the Covid-19 crisis, but Gwynedd Council will commence from a relatively sound budgeting base with a healthy level of usable reserves. Members and officers will undertake further work over the coming months in order to meet the timetable to prepare a budget proposal for submission to full Council on 3rd March 2022.

Financial Uncertainties

6. In planning the Council's 2022/23 budget, we face financial uncertainties due to lack of information. This means we need to make a number of assumptions, while the financial and economic climate is changing, along with the Governments' responses. Current uncertainties include:
 - i. The pace of recovery from the Covid-19 pandemic, and its impact on spending, income, savings plans, etc.
 - ii. Continued Welsh Government support to offset the financial cost to the Council of the pandemic (to date, additional Government grants have mitigated additional costs, income losses and revenue deficits as a consequence of the pandemic, but additional 'Covid' funding has not yet been identified for 2022/23).
 - iii. A trend of recently increased prices, but expectations this may not continue.
 - iv. Delays in settling annual pay increases.
 - v. Delay with the UK Government's Comprehensive Spending Review intended to take place in 2020. Recently, the Government officials had referred to the 'spending round' for 2022/23, and suggested that the Comprehensive Spending Review will impact on core funding and grants in 2023/24 and beyond. However, the Chancellor of the Exchequer's launch letter published on 7 September 2021 noted that "Spending Review 2021 will set the devolved administrations' block grants from 2022-23 to 2024-25, and will conclude alongside an Autumn Budget on 27 October 2021".
 - vi. There was a Welsh Parliament election in May 2021, and the priorities of the new Welsh Government are not yet clear.
 - vii. Unconfirmed proposals from both Governments for sustainable long-term funding for adult social care.
 - viii. After real terms grant reductions in several previous years, the Council received fairer grant settlements for 2020/21 and 2021/22, which met inflation.
 - ix. As in 2020/21 and 2021/22, there is no confirmation of additional funding for new burdens and other demand pressures for 2022/23.

2022/23 Budget Assumptions

7. Despite the lack of information, the table below is an attempt to plan the 2022/23 budget for the Council. In view of the uncertainties outlined above, a number of broad assumptions are made about the main budgeting factors, such as inflation, demand for services, and grant funding from the Welsh Government, in order to identify the possible range of how much the 2022/23 Budget may need to be reduced.

2022/23	Best Case £m	Central Case £m	Reasonable Worst Case £m
Pay Inflation -			
- Local Authority	2.8	3.1	3.5
- Teachers	2.2	2.5	2.8
Price Inflation	2.5	3.0	3.5
Pressures / Demand -			
- Social Care	1.5	2.0	2.5
- Other	1.5	2.5	3.5
Total Pressures	10.5	13.1	15.8
Funding Changes -			
- Council Tax (2% / 3.5% / 4.5%)	1.5	2.6	3.3
- Grant Settlement (4.5%/3.5%/2.5%)	9.0	7.0	5.0
Total funding changes	10.5	9.6	8.3
Budget Reduction Requirement	0.0	3.5	7.5

Medium Term Financial Plan

8. Further, the table below is an attempt to produce a Medium Term Financial Plan for the Council, with a 'central case' of the possibility of needing to reduce Budget by 2022/23, 2023/24 and 2024/25.

Central Case	2022/23 £m	2023/24 £m	2024/25 £m
Pay Inflation -			
- Local Authority	3.1	3.1	3.1
- Teachers	2.5	2.5	2.5
Price Inflation	3.0	3.0	3.0
Pressures / Demand -			
- Social Care	2.0	1.0	1.0
- Other	2.5	2.0	2.0
Total Pressures	13.1	11.6	11.6
Funding Changes -			
- Council Tax (3.5%)	2.6	2.6	2.6
- AEF (RSG) (3.5%)	7.0	7.0	7.0
Total funding changes	9.6	9.6	9.6
Budget Reduction Requirement	3.5	2.0	2.0

9. Given the financial uncertainties already noted, it is not suggested that these broad figures are "correct answers", much more sophisticated budgeting will follow, but we believe these are fair estimates for planning purposes.

Conclusion

10. This year, **financial planning is extremely challenging**, with a range of potential scenarios suggesting a funding gap for 2022/23 which could be any sum between £0 and £7.5m, with the range of potential outcomes increasing widely for 2023/24 and beyond. **In planning for 2022/23, if there is a funding gap then Gwynedd Council's sound financial base will allow us to 'bridge' in the short term.**

Recommendation

11. We understand, of course, that the Council will want to avoid intensive and unnecessary consideration of listed potential savings and service cuts during the ongoing phase of the Covid-19 pandemic. Therefore, again as planned this time last year, **if there is a funding gap to balance the 2022/23 budget, we recommended that the Council should initially consider using contingencies and reserves to mitigate resource losses**, along with the Council Tax needing to increase.

Future Steps

12. It's really beneficial being able to draw on our very healthy Council reserves to mitigate immediate budget pressures now, rather than scaremongering because of the current uncertainty. In the longer-term, some of those reserves may need to be replenished, so that they're available when required in future.
13. Cabinet members will receive further information between December 2021 and February 2022, after the local government grant settlement statement for 2022/23, and as budgeting plans develop. In January 2022, Cabinet members will consider the Council's unavoidable spending commitments in the context of the 2022/23 draft settlement, before the Finance Cabinet Member and the Head of Finance consult with all Council members in a series of seminars.
14. The Council's budget timetable is in **Appendix A**. We will be adhering to the usual annual timetable of reporting to the Audit and Governance Committee (10 February, to offer comments on financial risks), the Cabinet (15 February, to recommend a budget and tax), and full Council (3 March, to set a budget and the Council Tax, which must be set by 11 March).
15. When the Council faces fewer financial uncertainties, after the impact of the UK Government's Comprehensive Spending Review on future core funding and grants becomes clearer, the Statutory Finance Officer and the Finance Cabinet Member will look to establish a more detailed medium term financial plan for the new Council, reviewing any decisions previously taken.

Views of the statutory officers

The Monitoring Officer:

The report sets the context for establishing the 2022/23 Budget. It is the role of the Cabinet to create a draft budget to be recommended to the Council and the proposed process is appropriate.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Local member's views

Not relevant

2021/22 BUDGET TIMETABLE

2021	
27 October	UK Government's multi-year Spending Review, to set budgets for 2022/23 to 2024/25, alongside the Autumn Budget.
20 December	The Welsh Government's draft Budget for 2022/23
21 December	The Welsh Government's provisional Settlement for local authorities
2022	
January	A series of Seminars on the Budget for all Council members
10 February	Audit and Governance Committee: scrutinise the draft budget and consider relevant risks
15 February	Formal Cabinet meeting: consider the financial strategy and recommend the budget to full Council
1 March	Final Welsh Government Budget for 2022/23
2 March	Final Welsh Government Settlement for local authorities
3 March	Full Council meeting – set the budget and tax for 2022/23

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	18 NOVEMBER 2021
TITLE:	TREASURY MANAGEMENT 2021 –2022 MID YEAR REVIEW
PURPOSE:	CIPFA’s Code of Practice recommends that a report on the Council’s actual Treasury Management during the current financial year is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DAFYDD L EDWARDS, HEAD OF FINANCE

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2021, the Council’s borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money. Furthermore, it is estimated that the Council’s actual investment income will be higher than the expected income in the 2021/22 budget.

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy’s Treasury Management Code (CIPFA’s TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a mid-year update.

The Council’s treasury management strategy for 2021/22 was approved by full Council on 4th March 2021. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council’s treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council’s Capital Strategy, complying with CIPFA’s requirement, was also approved by full Council also on 4th March 2021.

2. EXTERNAL CONTEXT

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and drivers of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, led to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Bank plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

3. LOCAL CONTEXT

On 31st March 2021, the Council had net investments of £27.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

These factors are summarised in the table below.

Balance Sheet Summary –

	31.3.21 Actual £m
CFR	174
Less: Other debt liabilities	(2)
Borrowing CFR	172
Less: Usable reserves	(108)
Less: Working capital	(16)
Net borrowing	48

* finance leases, PFI liabilities

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30th September 2021 and the change during the period is shown in the table below.

Treasury Management Summary

	31.3.21 Balance £m	6 month Movement £m	30.9.21 Balance £m	30.9.21 Rate %
Long-term borrowing	(104.7)	0.1	(104.6)	5.5
Short-term borrowing	(5.0)	5.0	0.0	n/a
PFI	(1.5)	0.0	(1.5)	n/a
Total borrowing	(111.2)	5.1	(106.1)	
Short-term investments	34.9	43.3	78.2	0.6
Cash and cash equivalents	28.6	(5.7)	22.9	0.0
Total investments	63.5	37.6	101.1	
Net borrowing	(47.7)	42.7	(5.0)	

4. BORROWING UPDATE

Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB

Revised PWLB Guidance

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8th September 2021

The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

Municipal Bonds Agency (MBA): The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

UK Infrastructure Bank: £4bn has been earmarked for of lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.

5. BORROWING STRATEGY

At 30th September 2021 the Council held £103.1m of loans as part of its strategy for funding previous years' capital programmes, and £1.5m for specific projects. Outstanding loans on 30th September are summarised in the table below.

Borrowing Position

	31.3.21	6 month	30.9.21	30.9.21
	Balance	Movement	Balance	Rate
	£m	£m	£m	%
Public Works Loan Board	86.9	0.0	86.9	5.75
Bank (long term)	16.2	0.0	16.2	4.22
Local Authority	5.0	(5.0)	0.0	n/a
Specific Projects	1.6	(0.1)	1.5	n/a
Total borrowing	109.7	(5.1)	104.6	

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

With short term interest rates remaining much lower than long term rates, the Council considered it to be more cost effective in the near term to use internal resources and borrow short term loans instead. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

6. TREASURY INVESTMENT ACTIVITY

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council's investment balance ranged between £62.9 and £147.9 million due to timing differences between income and expenditure. The investment position during the period is shown in the table below.

Treasury Investment Position

	31.3.21	6 month	30.9.21	30.9.21
	Balance	Movement	Balance	Income
	£m	£m	£m	Returns
				%
Banks & building societies (unsecured)	8.6	15.8	24.4	0.10
Local authorities	20.0	5.0	25.0	0.07
Debt Management Office	0.0	24.0	24.0	0.01
Money Market Funds	26.0	(7.5)	18.5	0.01
Pooled Funds	8.9	0.3	9.2	4.10
Total investments	63.5	37.6	101.1	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before

seeking the optimum rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Ultra low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

£10m of the Authority’s investments are held in externally managed strategic pooled property and equity funds where short- term security and liquidity are lesser consideration, and the objectives instead are regular revenue income and long- term price stability. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Authority’s investment objective are regularly reviewed.

The performance of our pooled property and equity funds at 30 September 2021 can be seen below:

STRATEGIC POOLED FUND PORTFOLIO			GWYNEDD				From:	22/02/2019		To:	30/09/2021	
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility		
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	1,158,480	1,254,947	-4,947	157,264	2.6	0.40%	12.58%	12.98%	15.6%		
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,524,344	4,713,881	-286,119	493,097	2.6	-5.72%	9.86%	4.14%	5.7%		
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	1,209,599	1,207,116	-42,884	136,604	2.6	-3.43%	10.93%	7.50%	7.8%		
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	5,173,994	2,067,528	-447,780	428,897	2.5	-17.80%	17.05%	-0.75%	17.7%		
GRAND TOTAL			9,243,472	-771,837	1,215,861	2.6	-7.71%	12.14%	4.43%	8.0%		
			Unrealised capital loss since purchase:		-756,529	Annualised income return:		4.53%				

It is evident that the combined capital value of £9.243m is less than the initial investment of £10m. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters, and even years; but with the confidence that over a three to five year period total returns will exceed cash interest rates. Investment in these funds will be maintained in the medium term.

Investment Benchmarking

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
30.06.2021	4.66	A+	51%	35	1.43
30.09.2021	4.52	A+	41%	34	1.74
Similar LAs	4.73	A+	58%	48	0.48
All LAs	4.69	A+	69%	10	2.35

Treasury Management Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

The Council's budgeted investment income for the year is £0.4m, however the actual expected investment income for the year 2021/22 is slightly higher, estimated at £0.44m.

7. COMPLIANCE

I can confirm that the treasury management activities undertaken during the period complied fully with CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

The Council's borrowing and investments remained well within the limits originally set.

Debt Limits

	Maximum during period	30.9.21 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied
Borrowing	£109.7m	£104.6m	£184m	£194m	✓
PFI & finance leases	£1.5m	£1.5m	£6m	£6m	✓
Total debt	£111.2m	£106.1m	£190m	£200m	✓

Investment Limits

	Counterparty Maximum during period	Counterparty 30.9.21 Actual	Counterparty 2021/22 Limit	Complied
The UK Government	£50m	£24m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£0	£0	£5m	✓
Registered providers (unsecured)	£0m	£0m	£5m	✓
Money market funds	£7m	£7m	£10m	✓
Strategic pooled funds	£5m	£5m	£10m	✓
Real Estate Investment Trusts	£0	£0	£10m	✓
Other investments	£0m	£0m	£5m	✓

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating or credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual	Complied
Portfolio average credit score	6.0	4.52	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments.

	30.9.21 Actual	2021/22 Target	Complied
Total cash available within 3 months	£76.9m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one year revenue impact of a 1% rise or fall in interest was:

Interest rate risk indicator	30.9.21 Actual	2021/22 Limit	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£573,968	£635,000	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0	£24,000	✓

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Actual	Upper	Lower	Complied?
Under 12 months	1.46%	25%	0%	✓
12 months and within 24 months	1.50%	25%	0%	✓
24 months and within 5 years	11.37%	50%	0%	✓
5 years and within 10 years	6.74%	75%	0%	✓
10 years and above	78.92%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓

8. INVESTMENT TRAINING

During the period, officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

9. REVISION TO CIPFA CODES

In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee’s recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.
- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority’s functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority’s overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- Prudential Indicators
 - New indicator for net income from commercial and service investments to the budgeted net revenue stream.
 - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority’s full debt maturity profile.
 - Excluding investment income from the definition of financing costs.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making

10. OUTLOOK FOR THE REMAINDER OF 2021/22

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Agenda Item 7

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **18 NOVEMBER 2021**

TITLE: **FINANCIAL SUSTAINABILITY ASSESSMENT**

PURPOSE: **TO PRESENT AUDIT WALES' REPORT, AND ASK THE COMMITTEE TO CONSIDER THE CONTENT, TOGETHER WITH GWYNEDD COUNCIL'S RESPONSES TO THE RECOMMENDATIONS**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

1. I enclose the **Financial Sustainability Assessment – Gwynedd Council** report. There have been similar reports **by Audit Wales** on all local authorities in Wales.
2. The final version was received on 5 October, and the relevant Lead Auditor from Audit Wales will be present at the Audit and Governance Committee on 18 November to present their findings.
3. The report contains four recommendations requiring responses from Gwynedd Council. Those responses are noted below –

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
Medium Term Financial Plan	
R1 - The Council should update its Medium Term Financial Plan annually to support financial planning.	<p>We agree and have updated our Medium Term Financial Plan.</p> <p>At the Cabinet meeting of 28 September 2021, the '2022/23 Budget Strategy' report was received which included the Council's Medium Term Financial Plan (for 2022-23 – 2024-25), whilst noting, in the current context, that financial planning is extremely challenging.</p> <p>It was agreed, when the Council faces less financial uncertainty, after the effect of the UK Government's Comprehensive Spending Review on core funding and future grants becomes clearer, the Finance Department will establish a more detailed medium term financial plan for the new Council.</p>

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
Budget Setting	
<p>R2 - The Council should further develop the use of activity data in setting its demand-led budgets.</p>	<p>When drawing up budgets, demographic statistics are used to set the level of budget allocations for the Education, Adult Care and Children's departments.</p> <p>Furthermore, the annual process of inviting bids gives departments an opportunity to secure additional resources to meet demand and additional pressures on services.</p> <p>For 2021/22, a number of bids resulting from additional demands were approved, including additional resources –</p> <ul style="list-style-type: none"> - for the Children's Department, as a result of an increasing number requiring placements, - for the Adults' Department, for the increase in demand in the Learning Disability field, and - for the Education Department, for an increase in pupils requiring transportation by taxi to school.

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
Budget Review – Additional Grant Allocations and Transfers to Reserves	
<p>R3 - The Council should include significant grant allocations at service levels in its budget review and mitigate the effect of any in-year transfer to reserves to allow the transparent reporting of the financial position.</p>	<p>In terms of grant allocation, of course 2020/21 was a truly exceptional year when no-one could have foreseen the impact of the Covid crisis and the extent of the financial assistance eventually received from the Welsh Government's hardship fund.</p> <p>With hindsight, we agree and adjusted the guidance for our accountants in order to include significant grant allocations at service levels in the 2021/22 budget review presented to the Cabinet on 12 October 2021.</p> <p>Any transfers to/from corporate reserves are reported transparently in budget reviews during the year.</p>

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
Review Savings Schemes	
<p>R4 - The Council should undertake at least annual reviews of historic savings schemes to ensure that they are still realisable.</p>	<p>We agree and have reviewed the historic savings schemes at the Cabinet meeting on 26 January 2021.</p> <p>The 'Savings Position' report was received, which reviewed individual schemes, moving the achievement profile for some schemes to 2022/23, and recognising that the situation had now changed so much that savings schemes worth £848,040 could not be achieved and removed them from the budget.</p> <p>We always intended to review the historic savings schemes again, and more importantly, the position of the schemes which slipped to 2022/23, before establishing the Council's budget by 2022/23.</p>

4. The Audit and Governance Committee is asked to note the contents of Audit Wales' report in relation to the Council's financial sustainability, consider the recommendations and the responses I have provided on behalf of the Council, and comment as necessary.

Appendix

Audit Wales' Report: Financial Sustainability Assessment – Gwynedd Council

Financial Sustainability Assessment – Gwynedd Council

Audit year: 2020-21

Month/Year issued: September 2021

Document reference: 2436A2021-22

This document has been prepared as part of work performed in accordance with section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Wellbeing of Future Generations Act (Wales) 2015.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Continued rolling forward of undelivered savings can create unresolved financial pressure for services; identifying and delivering savings will be more challenging going forward	13
The Council's liquidity has been stable over the period 2015-16 to 2019-20 and has risen slightly in 2020-21	15

What we looked at and why

- 1 We undertook this assessment as financial sustainability continues to be a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services. We undertook a similar project in 2019-20, before the COVID-19 pandemic.
- 2 Our 2020-21 assessment on councils' financial sustainability was in two phases. Phase 1 was a baseline assessment of the initial impact of COVID-19 on local councils' financial position. Phase 1 drew on: the year-end position for 2019-20; the position at the end of quarter 1 for 2020-21; and projections for quarter 2 for 2020-21. Following Phase 1, in October 2020 we published a national summary report – **Financial Sustainability of Local Government as a result of the COVID-19 Pandemic**¹. We found that councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge.
- 3 The pandemic has had an immediate and profound effect on public sector finances as a whole and, as a consequence, on councils' financial position. The summary report set a high-level baseline position, including the reserves position of local councils before the pandemic. It also set out the initial financial implications of the pandemic for local councils and the scale of the anticipated challenge going forward.
- 4 This report concludes phase 2 of our financial sustainability assessment work during 2020-21. As part of this we are producing a local report for each of the 22 principal councils in Wales.
- 5 We undertook this assessment during March 2021.

¹ Audit Wales, [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic](#), October 2020.

Recommendations

Exhibit 1: proposals for improvement

The table below sets out the proposals for improvement that we have identified following this review.

Recommendations	
Medium Term Financial Plan	
R1	The Council should update its Medium Term Financial Plan annually to support financial planning.
Budget Setting	
R2	The Council should further develop the use of activity data in setting its demand-led budgets.
Budget Review – Additional Grant Allocations and Transfers to Reserves	
R3	The Council should include significant grant allocations at service levels in its budget review and mitigate the effect of any in-year transfer to reserves to allow the transparent reporting of the financial position.
Review Savings Schemes	
R4	The Council should undertake at least annual reviews of historic savings schemes to ensure that they are still realisable.

The Council has a good understanding of its financial position, but several financial challenges remain

The immediate impact of COVID-19 on the Council's financial sustainability has been mitigated by additional Welsh Government funding

- 6 This section sets out the impact that COVID-19 has had to date on the Council's financial position and the extent to which this has been mitigated by additional funding from the Welsh Government.
- 7 We found that:
 - the Council reacted quickly to the pandemic, reporting to Cabinet on 19 May 2020, **The Effects of COVID-19 on the 2020-21 budget**, identifying funding gaps and calling for Welsh Government support;
 - the Council has incurred £14.6 million of additional COVID-19-related expenditure and £7.8 million loss of income during 2020-21, and receive £18.5 million from the Welsh Government Hardship Fund and £2.1 million from other Welsh Government Funding streams;
 - an estimate £3.2 million additional expenditure and £0.2 million income loss that it will have incurred that has not been covered by additional funding;
 - the 2020-21 budget assumes that the Welsh Government will continue to compensate additional costs and loss of income;
 - the 2021-22 budget assumes that there is no change in demand nor reduction in income generating activities for most services because of the pandemic;
 - the Council recognises that the pandemic made financial planning extremely challenging and identified a funding gap of up to £8 million for 2021-22 to the Cabinet on 13 October 2020 for financial planning purposes but did not publish a Medium Term Financial Plan;
 - the report to Cabinet identified 12 factors amounting to an unprecedented level of financial uncertainty leading to the range of potential outcomes increasing widely beyond 2021-22 as the rationale for not producing a Medium Term Financial Plan; and
 - the Council plans to publish its Medium Term Financial Plan for 2021-22 in the summer and has not calculated the impact of COVID-19 over the medium term.

Exhibit 2: the cost to the Council of COVID-19 over 2020-21

The table below shows the Council's additional expenditure and lost income over 2020-21, as a result of COVID-19, and how much of this was mitigated by extra funding from the Welsh Government.

The additional amount the Council has spent as a result of COVID-19 over 2020-21.	£14.6 million
The amount of income the Council has lost as a result of COVID-19 over 2020-21.	£7.8 million
The amount of additional funding the Council will receive from the Welsh Government over 2020-21 to mitigate the impact of COVID-19.	£18.5 million
The cost to the Council of COVID-19 over 2020-21 after extra funding from the Welsh Government is taken into account.	£3.9 million
Additional funding from the Welsh Government to cover 'savings not achieved' and 'digital transformation'.	£2.1 million

The Council has a clear financial strategy for the current year but needs to plan more for the medium term and focus on improving sustainability

Why strategic financial planning is important

8 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

We found that:

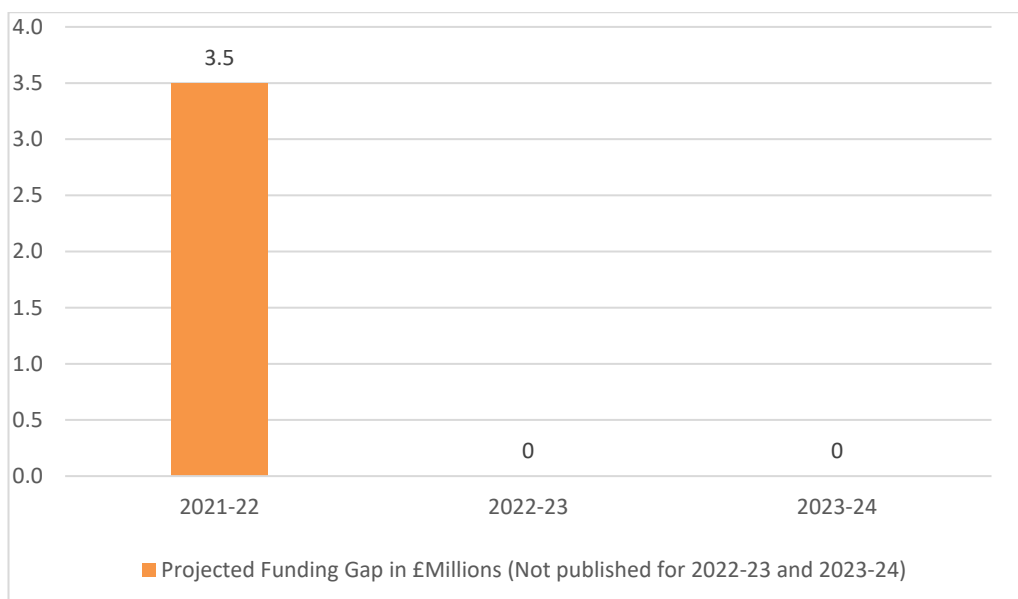
- we reported in our Gwynedd Council Financial Sustainability Assessment report published in March 2020 that **the Council is currently in a relatively strong financial position and its overarching financial strategy has supported financial resilience well; however, some services have**

significant annual overspends and not all savings are realised, posing a risk to financial sustainability in the longer term.

- the Council considers a multitude of financial and economic factors in setting its budget and uses demographic information to inform the levels at which key demand budgets are set.
- the Council has made significant additional budget allocations to key demand services as part of the budget setting process in recent years, but some services expenditure is still more than the available budget.
- whilst most of the Council's budgets are within budget at year-end, some of the key demand services, most notably Children and Supporting Families, have been under financial pressure for a prolonged period, raising concerns about the underlying assumptions used to underpin the budget setting process.
- the Council has plans, including potentially using its relatively high level of reserves to bridge its funding gap.
- the Council has delayed publishing the Medium Term Financial Strategy (for 2021-22 – 2023-24) until the summer of 2021, to await the UK Government Chancellor's Comprehensive Spending Review. The Council has not published a Medium Term Financial Plan to accompany the 2020-21 budget.
- the Council published its last Medium Term Financial Strategy on 7 March 2019, which considered the period 2019-20 to 2021-22.

Exhibit 3: the Council had a funding gap of £3.5 million in 2021-22 and has not published estimates for 2022-23 and 2023-24

This graph shows the funding gap that the Council has identified for the following three years.



The Council has a high level of reserves, most are controlled centrally and present an opportunity to transform and improve services

Why sustainable management of reserves is important

9 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

We found that:

- the Council had £71.1 million of useable reserves at 31 March 2020, which is 26.4% of the net cost of services. Useable reserves increased to £99.6 million at 31 March 2021 which is 40.8% of the net cost of services².
- the Council's Usable Reserves have increased 86.5% over the last five years from 2017 to 2021.
- reserves are held in designated balances and a review of the names and descriptions of the earmarked reserves indicates that most balances are held centrally rather than by demand-led services.
- there appears to be little evidence to demonstrate the utilisation of reserves to improve and transform services, which may in turn support the financial sustainability of the Council.
- funding baseline commitments from one-off funding sources leads to unresolved funding pressure in future years' budget.

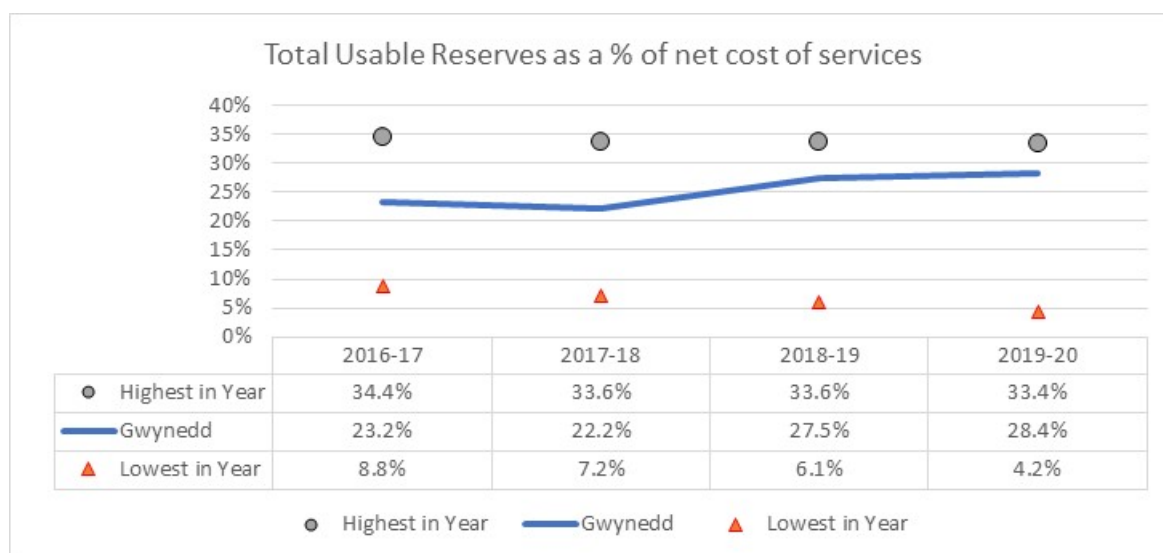
² Unaudited 2020/21 Statement of Accounts

Exhibit 4: amount of reserves versus annual budget

This exhibit shows the amount of usable reserves the Council had during 2020-21 and the previous four years as a proportion of the net cost of the services the Council delivers.

	2016-17	2017-18	2018-19	2019-20	2020-21
Net Cost of Services in £ millions ³	230.0	235.9	235.7	250.1	244.2
Total Useable Reserves in £ millions ⁴	53.4	52.4	64.9	71.1	99.6
Total Useable Reserves as a percentage of net cost of services ⁵	23.2%	22.2%	27.5%	28.4%	40.8%
Comparison with the other councils of Wales	6/22	6/22	3/22	3/22	[2020-21 comparison not available]

Exhibit 5: Total Usable Reserves as a percentage of Net Cost of Services of principal councils in Wales 2019-20



³ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁴ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

⁵ Audit Wales calculation.

The Council has recurring overspends in-year in key services, and budget monitoring reports vary from the final position reported at year-end

Why accurately forecasting expenditure is important

10 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

What we found:

- the Council services before recommended adjustments overspent in 2019-20 and it was estimating an overspend at service level in 2020-21 in its 'End of November Review'.
- the 2020-21 'End of November 2020 Budget Review' does not accurately reflect the Council's financial position, as the estimated financial overspend of £4.69 million in the appendices does not include a transfer to reserves of £1.3 million and grant funding of at least £3 million. These two omissions collectively reduce the deficit of £4.69 million by £4.3 million to a significantly lower deficit of £390,000. Whilst the above was explained in the narrative report, the omission in the service analysis could mislead and confuse readers.
- the final 12-month figures for 2019-20 reported an outturn overspend of £2.6 million after estimating an overspend of £4.58 million in the 'End of November Review'.
- the Council's practice of transferring surpluses to reserves as part of its Budget management exercise effectively overstates the net estimated deficit at year-end. The transfer of £1.09 million of underspend to reserves in 2019-20 effectively increased the net overspend from £3.49 million to £4.583 million.
- the Council up to 2020-21 had identified but not addressed significant patterns of in-year overspending in some of its key services. Activity level information was not used to set budgets in key demand areas. Robust activity and cost data along with detailed analysis of trends over several years would enable the Council to set budgets based on actual service users rather than demographics. This would enable the Council to re-join the group of councils with services performing more consistently within budget.

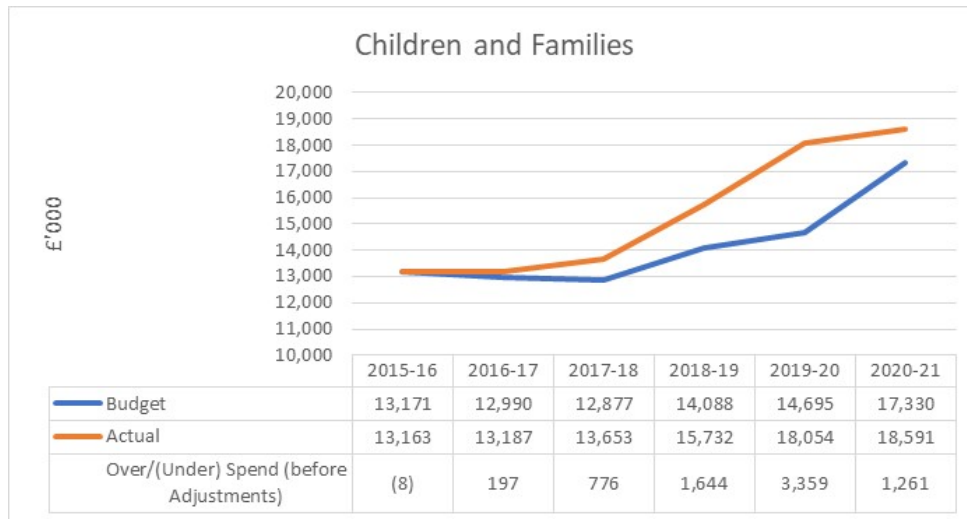
Exhibit 6: Amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the Council's overall net revenue budget after transfers to and from reserves for the last four years. The Council does not report the proposed corporate budgets to cabinet as part of its Budgetary Reviews.

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Net revenue budget £ millions ⁶	241.0	246.0	259.6	265.4	280.3
Actual Net Revenue Outturn ⁷	240.2	246.6	258.4	265.4	279.3
Amount of overall (surplus)/overspend ⁸	(0.8)	0.6	(1.2)	0.0	(1.0)
Percentage difference from net revenue budget	-0.3%	0.2%	0.4%	0%	-0.4%

Exhibit 7: Performance against budget by service

The following exhibit shows the annual overspend in Children and Families Service. The Council has allocated additional budget to the service; however, actual expenditure still exceeds available budget.



⁶ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁷ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

⁸ Audit Wales calculation.

Continued rolling forward of undelivered savings can create unresolved financial pressure for services; identifying and delivering savings will be more challenging going forward

Why the ability to identify and deliver savings plans is important

11 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered, this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

What we found that

- during the period 2016-17 to 2019-20, the Council delivered on average 84% of savings schemes in the planned year of delivery.
- the Council continued to implement the undelivered element of savings plans, going on to deliver an average of 97% of planned schemes for the period 2016-17 to 2019-20.
- the Council recognises that the pandemic has had a significant impact on its delivery of savings, leading to £1.7 million of slippage into 2021-22, £1.0 million of schemes being reprofiled into 2022-23, and £0.8 million of schemes being deleted.
- recent performance suggests that it is more difficult to deliver all planned savings in the Social Care budgets within the year. The inability to deliver savings over a prolonged timespan suggests that planned savings may be unrealistic. Savings expectations not borne out of reality can lead to disillusion amongst those trying to meet unrealistic targets and budgets.
- as part of the review undertaken by Cabinet in January 2021, £1.4 million of savings schemes were deleted and £3.2 million were deferred into following years.

Exhibit 8: Savings delivered during 2016-17 to 2020-21 as a percentage of planned savings

The following exhibit sets out how much money the Council intended to save from its savings plans during 2016-17 to 2020-21 and how much of this it actually saved in the planned year of delivery.

	2016-17	2017-18	2018-19	2019-20	2020-21
Total planned savings in £ millions ⁹	9.2	7.4	2.5	5.3	3.9
Planned savings achieved in £ millions in the planned year of delivery ¹⁰	8.7	6.0	1.8	4.0	1.6
Planned savings not achieved in £ millions in the planned year of delivery	0.5	1.4	0.7	1.3	2.3
Percentage of savings achieved in the planned year of delivery	94.3%	80.9%	73.1%	75.6%	41.0%

- 12 The realisation of savings schemes within the Council's services is variable. Whilst some departments have delivered most or all the planned savings, there are 'Schemes slipping and with some risks to be achieved' over an extended period. This is particularly prevalent in Adults; Health and Well-being, Children and Supporting Families, and to a lesser extent in other services. The Council has deleted some of the savings, but a significant amount remains deferred for delivery in future years.
- 13 The Council continued to deliver savings that were not implemented in the planned year achieving an average of 97% during the period 2016-17 to 2019-20.

⁹ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

¹⁰ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

The Council's liquidity has been stable over the period 2015-16 to 2019-20 and has risen slightly in 2020-21

Why the Council's liquidity position is important

- 14 Why gauging current assets to current liabilities (liquidity) is important:
- it is an indicator of how a council manages its short-term finances.
 - while it is commonly used to examine whether organisations are able to pay their debts in the short term, this is unlikely to be a risk for councils given their ability to take short-term borrowing. It does also, however, act as an indicator of how a council manages its short-term finances.
 - councils with low liquidity ratios should ensure they have arrangements in place to meet their liabilities.
 - there may be additional costs for councils that rely on short-term borrowing to pay debts.
 - councils with very high liquidity ratios should consider whether they are managing their current assets in the most effective way.
- 15 We found that:
- the Council's liquidity has been broadly stable over the last five years and the relatively consistent liquidity presents no concerns about financial sustainability; and
 - the Council does not anticipate any change to its liquidity position over the next three years.

Exhibit 9: working capital ratio 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Current Assets ¹¹	98.6	83.8	105.6	91.4	104	150
Current Liabilities ¹²	99.7	92.9	115	88.5	98.3	112
Working Capital Ratio	1.0	0.9	0.9	1.0	1.1	1.3

¹¹ Current Assets includes: Short Term Investments; Assets held for sale; Inventories; Short Term Debtors; and Cash and equivalent.

¹² Current Liabilities includes: Short Term Borrowing; Short Term Creditors; and Provisions due in one year.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Audit Wales Work Programme and Timetable – Gwynedd Council

Quarterly Update: 30 September 2021

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's and its Joint Committees' 2020-21 Statement of Accounts	To provide an opinion on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2021.	June 2021 through to October 2021	Financial statements received on 28 May 2021 and audit fieldwork is nearing completion.
Audit of the Gwynedd Pension Fund Accounts		September 2021 through to November 2021	Financial Statements received on 16 June 2021. Audit work has started.

Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
Commissioning Older People's Care Home Placements	A project common to north Wales councils and Betsi Cadwaladr University Health Board that reviewed how partners collaborate in the strategic commissioning of residential and nursing home care.	October 2021	Second draft issued 27 September. Final local report will be issued in October 2021.

2020-21 Performance Audit Work	Scope	Timetable	Status
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	Completed	Final local report issued. National Summary Report published September 2021.
Ffordd Gwynedd	A high-level review of the implementation of Ffordd Gwynedd considering concepts, culture and barriers.	October 2020 to January 2021	Letter sent to Chief Executive.
Annual Audit Summary	Annual report summarising the performance and financial audit work undertaken in 2020-21, which also includes a summary of the key findings from reports issued by 'relevant regulators'. Also now combined with the Annual Audit Letter.	November/December 2021	Not yet started.

2021-22 Performance audit work	Scope	Timetable	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	N/A	N/A
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.	July 2021	Certificate completed.
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Gwynedd Council the project is likely to focus on:</p> <ul style="list-style-type: none"> • Financial position • Self-assessment arrangements • Recovery planning • Implications of the Local Government and Elections (Wales) Act • Carbon reduction plans 	April 2021 to March 2022	Ongoing – arrangements currently being made to present our findings in the new year.

2021-22 Performance audit work	Scope	Timetable	Status
Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	October 2021- March 2022	Fieldwork arrangements being made.
Review of Performance Management	Review the way performance management framework at the Council supports demand led service delivery.	August to November 2021	Fieldwork in progress.
Annual Audit Summary	Annual report summarising the performance and financial audit work undertaken in 2021-22, which also includes a summary of the key findings from reports issued by ‘relevant regulators’. Also now combined with the Annual Audit Letter.	Autumn 2022	Not yet started.

Local government national studies planned / in progress

Study	Scope	Timetable	Status	Fieldwork planned at Gwynedd Council
Direct Payments	Review of how local authorities manage and promote the use of Direct payments.	Publication Winter 2021-22	Drawing conclusions mid October, drafting and publication early 2022.	No – work being delivered via Direct Payment Forum and a selection of follow up interviews.
Emergency Services	Review of how well emergency services (blue light) collaborate.	Publication winter 2021-22	Drafting report.	No.
Follow up on People Sleeping Rough	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGWs report of July 2020	TBC	Project set up.	No – work being delivered via Homelessness and Supporting People Forum.
Poverty	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	TBC	Project brief issued and contacts at councils being collated	TBC
Social Enterprises	Review of how local authorities are supporting and utilising social enterprises to deliver services	TBC	Project brief issued and contacts at councils being collated.	TBC
Community Resilience	Review of how local authorities can build greater resilience in communities	TBC	Project brief issued and contacts at councils being collated.	TBC

Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
Local Government Education Services Inspections	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance (published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.	LGES inspections to resume from late Autumn term.	N/A
Curriculum Reform thematic review	Regional consortia and local authority support for curriculum reform.	Evidence collecting in September/October -publish in early February	N/A

Care Inspectorate Wales (CIW)

CIW planned work 2021-22	Scope	Timetable	Status
Assurance	CIW will be completing its work on Assurance Checks including publication of a national overview report.	July – September 2021	In progress.
National review	Support for disabled children and their families.	TBC	In progress - Drafting report.
Follow-up	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk based inspection activity with individual local authorities where necessary.	TBC	Not yet started.
Inspection	Risk based inspection activity will continue where required.	TBC	No inspections are scheduled at this time.

Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
Financial Sustainability of Local Government	September 2021
NHS summarised accounts infographic	September 2021
Picture of Public Services ¹	September 2021
Town Centre Regeneration	September 2021
Student finances	August 2021
NHS finances data-tool 2020-21	June 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Quality governance arrangements at Cwm Taf UHB – follow up	May 2021
Welsh Health Specialised Services Committee governance arrangements	May 2021
At your Discretion - Local Government Discretionary Services	April 2021

¹ Main report published 15 September. To be followed over the following four to six weeks by short sector commentaries: A picture of local government, A picture of healthcare, A picture of social care, A picture of schools, A picture of higher and further education.

Report title	Publication date and link to report
Procuring and Supplying PPE for the COVID-19 Pandemic	April 2021

Audit Wales National reports and other outputs due to be published during 2021-22 (and other work in progress/planned)²

Title	Anticipated publication date
Supporting NHS staff well-being	October 2021
Warm Homes Programme	November 2021
Care home commissioning	November 2021
Welsh Government accounts commentary	November 2021
Unscheduled care – data tool and commentary	By end of 2021
Collaborative arrangements for managing local public health resources	By end of 2021
NHS waiting times data-tool and planned care commentary	By end of 2021
Welsh Government setting of well-being objectives	By end of 2021

² We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for a new Public Accounts Committee following the Senedd elections.

Title	Anticipated publication date
Welsh Government workforce	By end of 2021
Orthopaedic services	By end of 2021
Curriculum reform	Spring 2022
Equality impact assessment	Spring 2022
Climate change – baseline review	Spring/summer 2022
COVID response & recovery / Welsh Government grants management	TBC
NHS structured assessment 2021 summary commentary	TBC
Affordable housing	TBC
Broadband infrastructure	TBC
Flood risk management	TBC

Forthcoming Good Practice Exchange events and publications

Title	Anticipated publication/event date
Post event resources including session recordings for both the Part 2 Your Town Your Future town centre regeneration event and the Future Workplace lunch and learn session with Dr Luci Attala and Hywel Dda UHB	Early October 2021
Transatlantic Conversations, Wales and Nova Scotia – discussing Housing	28 October 2021 (3pm)
Organisational Resilience	December 2021 (date TBC)

MEETING	Audit and Governance Committee
DATE	18 November 2021
TITLE	Local Government and Elections (Wales) Act 2021
PURPOSE OF THE REPORT	To update the Committee on the progress of the Work Programme and changes to the Constitution of the Committee
RECOMMENDATION	To accept the report and agree on a recommendation as to the future size of the Committee.
AUTHOR	Iwan Evans – Monitoring Officer

1. Introduction

- 1.1 The Committee will recall that I reported on the proposed work programme for implementation of the Local Government and Elections (Wales) Act 2021. There were a number of actions stemming from the provisions of the Act. From its initial Royal Assent the provision will continue to come into force into mid-2022. Some provisions may be implemented at a later date where regulations are required.

2. The Act

- 2.1 The Act received Royal Assent on 20 January 2021. It has nine main parts that relate to Principal Councils Town and Community Councils and other Authorities.

PART 1 - ELECTIONS

PART 2 - GENERAL POWER OF COMPETENCE FOR LOCAL AUTHORITIES

PART 3 - PROMOTING ACCESS TO LOCAL GOVERNMENT

PART 4 - LOCAL AUTHORITY EXECUTIVES, MEMBERS, OFFICERS AND COMMITTEES

PART 5 - COLLABORATIVE WORKING BY PRINCIPAL COUNCILS

PART 6 - PERFORMANCE AND GOVERNANCE OF PRINCIPAL COUNCILS

PART 7 - MERGERS AND RESTRUCTURING OF PRINCIPAL AREAS

PART 8 - LOCAL GOVERNMENT FINANCE

PART 9 - MISCELLANIOUS

3. Work Programme

The Act has already been placed in the Corporate Risk Register because of its significance. The Work Programme - Appendix 1 involves a range of tasks which primarily involve Corporate Support and Legal Services. The Programme gives an overview and assurance on the implementation behind which there is ongoing detailed work which is required to bring these provisions into effect.

4. Constitutional Changes

There are specific changes to the Audit and Governance Committee's functions and make up in the Act:

- The name of the Committee changes to the Governance and Audit Committee
- It assumes a role in relation to the complaints systems
- It is given specific functions in relation to the new performance management arrangements in Part 6 of the Act.
- The membership of the Committee will need to change for May 2022 so that 1/3 of the membership will be independent members.
- The chair of the Committee must be appointed from the lay membership

The highlighted changes are all statutory and take effect on the dates stated in the Work Plan. Appendix 2 sets out the main changes to the Constitution which I propose to make under paragraph 2.6.3. of the Constitution

2.6.3 Legislative Change

Any part of the Constitution may be amended by the Monitoring Officer where such amendment is required to be made so as to comply with any legislative provision. Such amendments shall take effect when the Monitoring Officer so decides or the legislation (where relevant) so provides. Such changes shall be reported to the next Full Council meeting for information.

The requirement for the lay members and the chair (which come into force in May 2022) will need to be incorporated into the Constitution to come into force at the appropriate time. This gives rise to the issue of the appropriate size of the Committee. Currently there are 18 elected members of the Committee together with a single independent member. On this basis there would be 6 lay members and 12 elected members of the committee from May 2022.

The recruitment process for the lay members of the Committee is already in train. This involves participation in a WLGA programme of advertising. The process for appointing was established by the Council in 2017. However, before the process can be completed there needs to be a decision as to the future overall size of the Committee.

There are a number of options of course. However, and having regard to the size of the Scrutiny Committees 18 would appear to be an appropriate figure to continue. Notwithstanding the reduction in the overall membership of the Council this would allow for 12 elected members. However, the Committees views are sought.

DECISION SOUGHT

- 1. To approve the progress on Work Programme and request a further up-date for the February meeting .**
- 2. To recommend the proposed number of members for the Governance and Audit Committee to the Council to take effect from 5 May 2022.**
- 3. To note the proposed amendments to the Constitution to be made by the Monitoring Officer.**

Appendix 1

(Council = Full Council, Cab=Cabinet, AGC=Audit and Governance Committee, DSC=Democratic Services Committee SC=Standards Committee)

Provisions	Leading Department / Service	Preparatory Steps / Resources	Principal Meetings
Part 1 Elections	Legal Services	Matter for nominations for elections. And administrating electoral registration Awareness raising	Blends with the DSC's work to promote democratic involvement
Part 2 Chapter 1 General Power of competence for Local Authorities	Legal Services	Briefing note on the powers explaining their nature etc. <u>Departmental Briefing Note -</u> Brief the Council and Cabinet as part of awareness of the Act.	
Part 3 Promoting Access to Local Government,	Corporate Support	Legal Services to lead on reviewing the Constitution	Council, DSC AGC
Part 4 - Local Authority Executives, Members, Officers and Committees	Corporate Support Service	Legal Services to lead on reviewing the Constitution and Code of Conduct issues, The Democratic and Language Service to lead on matter relating to remote attendance and publication of agendas etc.	Report to AGC, DC and Council
Part 5 Collaborative Working by Principal Councils	Leadership Team	Brief Council and Cabinet as part of awareness of the Act. Report on the implications of establishing regulations to Cabinet and Scrutiny Committees	Cabinet and Scrutiny
part 6 - Performance and Governance of Principal Councils and the Duty of a Principal Council to Continuously Review its Performance	Leadership Team and Finance Service in terms of Audit Committee arrangements	Brief Council and Cabinet as part of awareness of the Act. AGC to lead	AGC and Council
Part 7 - Mergers and Restructuring of Principal Areas	Leadership Team	Brief Councillors and Cabinet as part of awareness for information	
Part 8 - Local Government Finance	Finance Service		
Part 9 - Miscellaneous	Corporate Support Service		Report to the Appointments Committee and the Council as appropriate

Appendix 1

(FC = Full Council, Cab = Cabinet, AGC = Audit and Governance Committee, DSC = Democratic Services Committee, SC = Standards Committee)

Provisions	Description	Comes into Force	Responsible Officer	Preparation Steps / Resources	Timetable	Status
Part 1 Elections	<ol style="list-style-type: none"> Extend the Voting Franchise to those aged 16 upwards and also eligible foreign citizens. Duty to raise awareness of the right. The right for council officers to stand in an election without requiring them to resign if they are unsuccessful (with the exception of officers in politically restricted posts). The right of a Council to choose a Majority Voting or STV voting system. 	<p>1 and 2 already in force (for May 2022 elections)</p> <p>3. May 2022</p>	<p>1,2 - Head of Legal Services (Monitoring Officer)</p> <p>3. Chief Executive.</p>	<p>1 - A cross-departmental Project Team is in place and an officer has been appointed to undertake the work of coordinating and engaging, together with other elements of the Government grant.</p> <p>2 - Work to raise awareness of changes to the statutory provision regarding who is eligible and ineligible to stand has commenced. This is undertaken jointly with the Democracy and Language Service.</p> <p>3 - This can be reported upon specifically to the new Council after the power comes into force in May 2022</p>	<p>1 and 2 Permanent until the May 2022 election period</p> <p>3 - No action required until after May 2022.</p>	<p>1 - This work is based on promoting and engagement particularly so with the Key Stage 4 and 5 ages. The COVID situation means that the promotion programme remains challenging. As opportunities to attend educational establishments are limited, we are examining other methods of communication and promotion.</p> <p>2 - Being achieved.</p>
Part 2 Chapter 1 General power of competence for Local Authorities	Grants a general power of competence to Principal Councils and some Eligible Town and Community Councils. The Council is dependent on a statutory right to undertake any activity. This provision gives general unlimited power to act to a specific function	November 2021	Head of Legal Services (Monitoring Officer)	Heads of Department Briefing Note	30 September 2021	Briefing note and presentation provided to Heads of Department.
Part 3 Promoting Access to Local Government,	<ol style="list-style-type: none"> The right to hold formal meetings on a hybrid and virtual basis, but a Policy needs to be adopted 	1,2,3 May 1 2021	1-2 and 4-8 Head of Corporate Support	1 and 2 Democracy and Language Service preparing a Policy on meeting arrangements to be adopted by the	Report to Cabinet and DSC in	1 and 2 Reports will be submitted in accordance with the timetable.

	<ol style="list-style-type: none"> 2. Provide remote attendance rights for members on a statutory basis 3. Incorporate changes in matters such as publishing meeting agendas and dealing with matters such as publishing decisions. 4 A duty to encourage public participation in matters such as decision-making 6. The requirement to adopt a Participation Strategy 7. The requirement to adopt a Petitions Scheme 8 Statutory requirement to web-cast a range of meetings. 9. The requirement to publish Guidelines to the Constitution 	4- 9 May 2022	<p>Department</p> <p>3 and 9 Monitoring Officer</p>	<p>Cabinet and Full Council</p> <p>Monitoring Officer to lead on reviewing the Constitution and preparing Guidelines.</p>	<p>November</p> <p>For the Full Council meeting on 2 December 2021</p> <p>4-7 - Statutory Guidance is expected on the requirements.</p> <p>8. Taking action is subject to issuing regulations that will define the nature of the requirement.</p> <p>9. Report to Full Council March 2022</p>	<p>3. The adaptations for virtual and hybrid meetings have been incorporated in the Constitution. Any changes deriving from the other aspects will be incorporated as the provisions are established.</p> <p>9. A Template of Constitution Guidelines is being developed nationally with WLGA and external specialist solicitors.</p>
<p>Part 4 Local Authority Executives, Members, Officers and Committees</p>	<ol style="list-style-type: none"> 1. To establish the post described as "Chief Executive" on a statutory footing with specific responsibilities. 2. Allow the appointment of members as Cabinet Members assistants 3. Include job-sharing provision for Cabinet members within Cabinet arrangements. 4. Allow job-sharing for Chairs and Vice-chairs 5. Group Leaders to have statutory responsibility for the conduct of their members 6. Give the Annual Standards Committee 	May 2022.	<p>1. Head of Corporate Support Service</p> <p>2,3,4 Monitoring Officer</p> <p>5 and 6 Monitoring Officer</p>	<p>1 - Amend the Chief Executive's job description.</p> <p>2 - 3 Amend the Constitution to reflect the provision and establish arrangements. On a joint basis with the Monitoring Officer and the Democracy and Language Services.</p> <p>4 - Action will be subject to regulations bringing the provision into force.</p> <p>5 - A report on the provision has been</p>	May 2022	<p>1 - The Chief Executive's job description already reflects the change.</p> <p>2-3 Draft amendments were submitted to the AGC November 2021</p> <p>5- The engagement has slipped. It is intended to hold the promotion meetings with Committee members by the end of December 2021.</p>

	report to the Council a statutory footing.			submitted to the Standards Committee - Steps to raise awareness among group leaders and draw up a Protocol on promoting the duty. 6 - Annual Report of the Standards Committee submitted to the Full Council		
Part 5 Collaborative Working by Principal Councils	<ol style="list-style-type: none"> 1. Ministerial power to establish Corporate Joint Committees ("CJCs"). These are a new type of local government body. They will be bodies in their own right with their own legal status. 2. The core membership will consist of Council Leaders 3. Mandate Powers - Strategic Planning, Transportation, Economic Well-being and School Improvement. 4. Regulations published establishing a CJC for North Wales which will deal with the Strategic Development Plan, Strategic Transport Plan and Economic Well-being power. Functions operational from June 2022. 5. Two or more councils have the right to request to establish one through a statutory instrument. 	In force	Gwynedd, as the Host Authority for the North Wales Economic Ambition Board leads on a project to respond to this new procedure. A work programme and feedback will be provided as a result of this work. The Project is led by the Leaders and Chief Executives at a regional level.	Brief FC and Cab as part of awareness of the Act. Report on the implications of establishment regulations to Cabinet and Scrutiny Committees	To be established, but the CJC will need to be operational for 2022 due to financial requirements.	
Part 6 - Performance and Governance of Principal Councils and the Duty of a Principal Council to continuously review its performance	<ol style="list-style-type: none"> 1. Establish the concept of statutory annual performance reports and consultation as part of the process 2. Appoint a "Panel" for assessing the Council's performance - 3. The need for setting Improvement Objectives (Best Value) is being removed 4. The requirement for 1/3 members of the Audit and Governance Committee to be lay members including the Chair - 	<ol style="list-style-type: none"> 1. In force 2. May 2022 3. In force 4. Will come into force in May 2022 5,6 In force 	Chief Executive and Head of Finance Department in terms of Audit Committee arrangements 4- Commence a process to appoint lay members to the	Brief FC and Cab as part of awareness of the Act. AGC to lead	1,2 Report to AGC and Cabinet July 2021 5 and 6 Council report as part of the Constitution reform	???????

	<p>5. Establishing and naming an Audit and Governance Committee is now statutory</p> <p>6. Audit and Governance Committee to adopt the function of complaints procedure overview</p>		<p>Committee. Report to AGC and FC December with recommendations for Committee size and appointment of lay members for May 2022.</p> <p>Monitoring Officer to amend the Constitution to reflect the agreed changes.</p> <p>Monitoring Officer to implement changes 5 and 6 to the Constitution as they are statutory requirements.</p>		programme.	
Part 7 - Mergers and Restructuring of Principal Areas	To establish a framework for a process of merging councils should such plans come forward.	May 2022	Chief Executive	Brief FC and Cab as part of awareness for information	Already happened	
Part 8 - Local Government Finance	<p>1. Powers to require information relating to hereditaments, relevant information in determining whether a person is liable to pay non-domestic rates.</p> <p>2. Removal of power to provide for Imprisonment of Council Tax Debtors which incorporates in an Act what is already operational through Regulations.</p>	In force	Head of Finance	Brief FC and Cab as part of awareness for information	Already underway	
Part 9 - Miscellaneous	<p>1. Afford the Head of Democracy Services post statutory chief officer protection status.</p> <p>2. Removal of restriction that prevents the Monitoring Officer from being the Head of Democracy Services.</p> <p>3. Provisions relating to merging and demerging Public Services Boards.</p>	May 2022	<p>Head of Corporate Support</p> <p>Monitoring Officer - take steps to amend the Constitution.</p>	Part 11 of the Constitution needs to be amended to reflect the changes - This will be done for the Council in March 2022	Report to Council 2 December 2021	AGC Report includes details of the proposed amendments

APPENDIX 2

9.2 The Governance and Audit Committee

- 9.2.1 The Council will appoint an Audit Committee to discharge the functions described in Section 13 of this Constitution and in accordance with sections 81-87 of The Measure.
- 9.2.2 The Committee shall comprise of ??? Councillor Members (being two thirds of the Membership) and one third of the embers must be lay persons and no more than one Member(it is acceptable for there to be none) of the Cabinet and assistant to the Cabinet Executive (which Cabinet Executive Member must not be the Leader).
- 9.2.3 The Chair of the Audit Committee and deputy Chair is appointed by it. The person appointed chair must be a lay person. The person appointed as deputy chair cannot be a Member of the Cabinet or assistant to the Cabinet Executive.
- 9.2.3 A meeting of the Audit Committee is to be chaired:
- (a) by the committee chair, or
- (b) if the committee chair is absent, by the deputy chair.
- (c) If both the committee chair and the deputy chair are absent the committee may appoint a member of the committee who is not a member of the Council's Cabinet , or an assistant to its Cabinet, to chair the meeting.
- 9.2.4 All members of the Audit and Governance Committee may vote on any matter before the Committee.

SECTION 13 PART 1

THE GOVERNANCE AND AUDIT COMMITTEE

- Details of the composition of this committee are included in Section 9 of the Constitution.
- The tables below list the specific functions in The Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007 (namely functions that are not to be the responsibility of the authority's Executive) which have been delegated to the committee. The headings, numbers and letters correspond to those in the Regulations.
- The third column notes whether or not the function has been delegated onwards to a principal officer. Further details on the rights of the principal officer, including any restriction on the right to act are to be found in the Schemes for Delegation to Officers in Appendix 3 to Section 13 of the Constitution.

Functions that cannot be the responsibility of the Executive.

FF. Various Functions

Function	Provision of Act or Statutory Instrument	Delegation - <i>(subject to any restrictions in the Scheme for Delegation to Officers)</i>
1. The duty to approve an authority's statement of its accounts, income, expenditure and balance sheet or its record of its proceeds and payments (as it happens).	Accounts and Audit Regulations (Wales) 2005	

Functions under the Local Government Measure (Wales) 2011

The committee is responsible for fulfilling the following statutory functions under Section 81 of the Local Government Measure (Wales) 2011 as amended:

- (a) review and scrutinise the authority's financial matters,
- (b) make reports and recommendations in relation to the authority's financial matters.
- (c) review and assess the authority's risk management, internal control **performance assessment** and corporate governance arrangements,
- (d) make reports and recommendations to the authority regarding the adequacy and effectiveness of those arrangements,
- (e) **review and assess the authority's ability to handle complaints effectively.**
- (f) **make reports and recommendations in relation to the authority's ability to handle complaints effectively,".**
- (g) inspect the authority's internal and external audit arrangements, and
- (h) review the financial statements prepared by the authority.
- (g) Undertake the further functions of the Governance and Audit Committee under Chapter 1 pf Part 6 of the Local Government and Elections (Wales) Act 2021 (performance and governance of principal councils)

Other Functions

The committee will also be responsible for fulfilling the following functions:-

- (i) to promote internal audit, establishing a timetable to conduct review control, develop an anti-fraud culture and review financial operations;

- (ii) to focus the Council's audit resources by agreeing on audit plans and monitoring the provision of audit;
- (iii) to monitor audit performance by ensuring that officers' work is on schedule, that audit reports are produced on time and that they are responded to in the same way, monitoring the completion of the accounts and ensuring action on audit recommendations;
- (iv) to consider observations and concerns on individual services at a county level, on the basis of reports by Council officers, the Audit Commission or the District Auditor and monitor the response and actions on the recommendations and findings.
- (v) Review and scrutinise matters relating to the councils internal operation such as corporate strategies, partnerships, engagement, business transformation and workforce efficiency arrangements and the functions carried out by the Finance Department, Corporate Support Department and Leadership team.