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## GOVERNANCE AND AUDIT COMMITTEE 8/09/22

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**Present:**

**Councillors:**

Menna Baines, Elfed Wyn ap Elwyn, Meryl Roberts, Medwyn Hughes, Paul Rowlinson, Huw Rowlands, John Brynmor Hughes, Angela Russell, Richard Glyn Roberts and Rob Triggs.

**Lay Members:**

Sharon Warnes (Chair), Hywel Eifion Jones, Clare Hitchcock and Rhys Parry.

**Officers:**

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Caren Rees Jones (Group Accountant - Capital and Management), Siân Pugh (Group Accountant - Corporate and Projects), Alun Williams (Senior Business Manager) and Eirian Roberts (Democracy Services Officer).

**Others invited:**

Councillor Ioan Thomas (Cabinet Member for Finance)  
Alan Hughes (Audit Wales)

**1. APOLOGIES**

Apologies were received from Councillor Jina Gwyrfai.

**2. DECLARATION OF PERSONAL INTEREST**

Councillor Rob Triggs asked whether he should declare a personal interest in item 5 - Statement of Accounts 2021-22, because he received a Fire Service pension, and that there was a reference in the report to pension funds. In response, the Head of Finance noted that this was not an interest that affected the budget in terms of the member's ability to participate in the discussion.

**3. URGENT ITEMS**

In reference to the Prime Minister's intention to make an announcement later that day regarding her plans to address the huge increases in fuel costs, a member asked whether there would be an opportunity for this committee to discuss the matter at a future meeting. It was suggested that this was a matter to raise under item 7 - the Committee's Forward Programme

**4. MINUTES**

The Chair accepted the minutes of the previous meeting of this committee, held on 30

June 2022, as a true record.

## 5. STATEMENT OF ACCOUNTS 2021/22

Submitted - the report of the Head of Finance, submitting the statutory Statement of Accounts (pre-audit draft) for the 2021/22 financial year. It was noted that:-

- The draft accounts were currently being audited, and that the final version would be submitted following the audit, for approval at this committee's meeting on 17 November 2022.
- That there was no statutory requirement for elected members to approve the draft version of the Statement of Accounts. Nevertheless, it was considered that submitting the draft statement to this committee for information was good practice, and was an opportunity for members to ask the financial officers about the content and equip themselves with relevant information in order to consider the relevant risks and other matters that will be subject to audit, within context.

The Cabinet Member for Finance gave members an update on their responsibilities, as well as an outline of where we had reached along the journey. The Senior Finance Manager then expanded upon the content of the report.

The Chair thanked the Department for the detailed work, and invited questions and observations from members. During the discussion, the following matters were raised:-

- The Cabinet Member and Senior Finance Manager were thanked for providing very clear presentations, which drew attention to a number of very important matters in a comprehensible way.
- Referring to the need to value more property as a result of the fact that inflation was so high, it was asked whether there were any changes in terms of valuing highway assets, and whether this was likely to create any delay in terms of auditing the accounts. In response, it was noted that highways appeared under 'infrastructure' in Note 15 of the Accounts (Property, Tools and Equipment). It was explained that highways were not being re-valuated, and that they were in on their historical cost. If the Council did a piece of work on any road, it went in on at cost, and was valuated in accordance with the policy in Note 1 of the Accounts over 40 years. It was noted further that work was afoot in England to change the system as this 'possibly' did not reflect the value of the road, and one of the proposals under consideration was that the net figure was only included, instead of the detailed analysis as in Note 15. Also, there may be other options, but this was not an easy matter since the information held by councils about the expenditure incurred on roads was based on historical cost alone, since a valuation had never been carried out on them. Furthermore, it was asked whether this would affect this year's audit of this Council's Accounts. In response, it was noted that it could have an impact, but that the discussions were continuing.
- It was asked whether the more detailed valuating was going to be a pattern for the future. In response, it was explained that the high levels of inflation had affected this, and whilst inflation levels remained high, it was likely that there would be greater demand for this due to these volatile prices. This matter was also being discussed as it was an extra burden on Councils during a financially turbulent time; although Gwynedd was more fortunate than other councils in this respect, since we had our own internal valuer to

carry out the work. It was also noted that the matter was still being discussed at the moment and that new guidance would be released soon, which would give a greater explanation of the matter.

- It was enquired whether the old road from Llanwnda to Caernarfon, which was now in the hands of Gwynedd Council following the opening of the new bypass, would be reflected in any way in the accounts. In response, it was explained that additional funding was included in the settlement to reflect the fact that the road had been downgraded from its trunk road status, and had transferred from the Trunk Road Agency to the County Council.
- In response to a question regarding the source of the funding of £4.4m on the Aberdyfi Harbour Walls, it was explained that there were a number of plans in the flooding and coastal field which had permission borrow, with support coming through the settlement to pay for them, and that this was already in the capital programme.
- With reference to Table 3 of the Accounts - Summary of Capital Expenditure and its Funding - it was asked why the Environment expenditure was so much higher in 2021/22 than it was in 2020/21. In response, it was explained that the main reason for that was because the Department had received £8.3m from the Local Transport Fund in 2021/22, compared with £2m in 2020/21. It was also noted, contrary to the revenue expenditure, that the capital spending of the departments could vary substantially from one year to the next, subject to the projects in the pipeline.
- It was noted that it appeared that the Council was being very prudent in increasing its reserves, but it was asked whether officers were concerned about the year to come, considering the current financial uncertainty. In response, it was noted that when the budget had been set for the current financial year, that it was anticipated that the inflation level of salary costs and general levels of inflation was around 4%, which was a figure that was considered to be prudent at the time. However, as the inflation figure was much higher than what had been budgeted for, and if everything else remained the same, the Council would overspend this year. It was explained that the Council had been prudent and had made a number of difficult decisions over the years to ensure that we had reserves, in case a financial shock hits us. In the current financial year, the Council had reserves and general balances that would mitigate the shock of additional energy costs and higher than anticipated costs. However, reserves were not long-term answers, therefore, for the next year, the Accountancy Team was already looking in detail at the base from which we were working. As the inflation figure was much higher this year than what was anticipated, the Council would have to increase the base for the years to come, and when setting the budget for next year, the Council would have to consider what was affordable and possibly cut the cloth to fit the money that was available. It was confirmed, however, that it was not anticipated that the Council would be in a position of having to close schools / organisations some days of the week, as other councils did, and the committee was given assurance that the reserves that had already been earmarked would carry us through the hard winter ahead.
- In reference to Note 10.29 of the Accounts - Council Tax Premium Account - a request was made for examples of projects under this heading. In response, it was noted that although some capital schemes had slipped over the years, that a detailed analysis was included in the Housing Action Plan, which had been adopted by the Cabinet in December 2020, of the intended use of the Council Tax Premium money.
- It was enquired whether it would be possible to know, when this committee

would discuss the Council Tax Premium on 17 November, what proportion of the £13m came from premium that had been paid by Gwynedd residents. In response, it was confirmed that this information could be provided in the report to the committee.

**RESOLVED to accept and note the Council's Statement of Accounts (subject to audit) for 2021/22.**

## 6. AUDIT WALES REPORTS

Submitted – the joint report of the Council's Business Support Service Manager and the Lead Auditor, Audit Wales, attaching Audit Wales' Quarter 1 update on the work of the review bodies (Appendix 1) and a national report on 'Direct Payments for Adult Social Services' (Appendix 2).

Alan Hughes (Audit Wales) was welcomed to the meeting, and he elaborated on the content of the Quarter 1 report.

Members invited questions and observations. During the discussion, the following matters were raised:-

- In response to a question, it was confirmed that the final report on the Assurance and Risk Assessment work would be ready in 2023 (page 114 of the agenda). It was explained that there were 2 elements to the work, namely considering the elements for assurance and the places where the risk existed. Normally, the work was focused around December / January, before a discussion was held with councils on where the greatest benefit was in order to shape the local plan for the year to come, and it was this shaping that had helped influence the audit plan for this year. With that, by looking at matters such as Un-arranged Care, Digital and Review of the Effectiveness of Scrutiny that emerged from last year's work, the auditors would go through the procedure of assessing assurance and risk again, and seek to come to a conclusion about where the assurance elements were. There was also some risk, and the risk could be national, regional or local. Work would take place throughout the year, looking at the financial situation towards the end of the year when the accounts would be drafted, so that the figures could be taken from them. This was one of the pieces of work that were currently underway, which was to look at the financial pattern within the Councils.
- In reference to work that was happening over a more long-term period, it was asked whether there were any interim messages that could assist the committee with its work, instead of waiting until the end of the process. In response, it was noted that there was a recommendation in the Direct Payments report for Adult Social Care regarding data, and that there was a reference in the last 4 reports prepared by Audit Wales in Gwynedd, to a better use of data. A report considered the performance report procedure and it included a reference to using data to promote decision-making, etc. as a part of looking at how recommendations derived from external audit, etc., were completed. Also, there were regular reports which updated the committee on the response to the recommendations. It was unlikely that the data would move off the radar very soon and it was believed that there was a need to make the best use of it in order to make decisions.
- In response to a question, it was explained that the Review of the Effectiveness of Scrutiny was a local piece of work, and although it was a

subject that also arose in other councils, and that examples of similar work would be available on Audit Wales' website, as it was a subject that was audited from time to time in the councils.

- It was asked whether it would be suitable for this committee to see the final report regarding the scrutiny review. In response, it was explained that this fell into the grey area between what was an audit, risk and governance matter and what was a pure scrutiny matter. However, this committee had a statutory role to keep an overview of how the Council was run, and it was believed that it was possible to look at how the scrutiny arrangements fell into the governance category, and thus was within the scope of the committee. It was also emphasised that the role of this committee would be to satisfy itself that the Council had appropriate arrangements in place to respond to the main messages and recommendations, instead of scrutinising the report.

Then, Alan Hughes (Audit Wales) set-out the context to the 'Direct Payments for Adult Social Care' report, and the Senior Business Manager elaborated further on the content of the report.

Members invited questions and observations. During the discussion, the following matters were raised:-

- With reference to page 158 of the agenda, where the indicator 4 table compared years 2016/17 with 2018/19, it was noticed that Gwynedd was one of the five authorities that had seen the greatest reduction in the percentage of people who received direct payments. It was asked how this compared with the years since then, and it was also asked whether social workers were doing enough to draw people's attention to the provision. In response, it was noted that the numbers had remained relatively stable over the Covid period, in particular, it seems, as people felt that this was not something extra that they would wish to take on during the period. However, there was a need to keep track of the figures, and grow the service over the coming years. It was explained that many councils had internalised the team that managed direct payments, and over the coming months, this Council would look at different options, such as internalising the service or passing on the service to an external commissioner. In terms of the point regarding social workers, it was noted that this varied and depended on the confidence of the social worker in promoting the payments as an option. It was also noted that one of the service's priorities over the next weeks would be to provide information and training to social workers so that they were completely confident in terms of promoting the provision as an option, and being able to respond to any questions or concerns. It was also suggested that the confidence of the social workers could be increased by giving them an opportunity to see how other teams operated, e.g. teams from Anglesey that worked from Ysbyty Gwynedd.
- Reference was made to the key facts on page 133 of the agenda, which noted that the proportion of adults receiving social care services via Direct Payments in 2018-19 varied from 1.6% (137) in Gwynedd to 12.9% (336) in Ceredigion, and it was asked whether the figure had changed substantially by now. In response, it was noted that Gwynedd had 198 individuals receiving the payments by now, including individuals and children. With that, the figure had increased since 2018/19, but not as much as had been hoped.
- It was asked whether the patients who received direct payments found it difficult to find people to care for them, and whether this was the reason why the numbers were low in Gwynedd. In response, it was confirmed that

this was a problem at the moment. It was noted, in other counties, that individuals worked for companies or for the local council, and then worked for individuals who received direct payments during the night. There was a need to look in more detail at this option, but indeed, the lack of assistants was a problem at the moment, and was likely to put people off if they were looking into the possibility of direct payments, but were unable to find anyone to care for them. An attempt was made to get the company that was commissioned by the Council to keep a register of available assistants, so that individuals were able to obtain information about who could assist them. It was also noted, since it was not mandatory for those employed to be registered, that individuals could employ a friend or neighbour, and this sometimes offered an answer when it was difficult to find a care company to provide the service.

- It was suggested by a member that this chiselled at the welfare state, by placing responsibility on the individual, rather than on organisations.
- It was asked to what extent did direct payments allow to increase the salary scale (namely £12.62 per hour) for personal assistants, as there was a lack of workers in the field in the county and beyond. In response, it was noted that Gwynedd paid one of the highest rates in Wales when the data was collected, but it was obvious that the current unit cost needed to be revisited since one of the main barriers to finding a carer was the salary scale.
- In response to a question regarding the possibility of individuals starting care micro-enterprises locally, it was noted that the Council was working with a company called Community Catalysts at this point in time. The company's intention was to establish these micro-enterprises, and this had highlighted the need to revisit the pay scale, rather than the person receiving the direct payments commenting that the pay levels were low. Therefore, if revisiting the rate, it would have to be revisited for all, and not just for those who were coming in through new work only.

The Chair thanked Alan Hughes (Audit Wales) and the Senior Business Manager for presenting the report. It was noted that the field was more complex than the report on paper could convey, and suggested that the committee encouraged the officers to press on with the work programme.

Alan Hughes (Audit Wales) noted that direct payments was a field to promote and he encouraged everyone to read Section 4 of the report, which provided a taster of the type of support that direct payments could provide in order to improve people's well-being.

**RESOLVED to accept the report.**

## **7. COMMITTEE FORWARD PROGRAMME**

Submitted - the report of the Head of Finance, attaching a draft of the committee's work programme for the year to come, up to February 2023.

The Head of Finance noted:-

- That although the Controls Improvement Working Group's report was a standing item on the committee's agenda, it would not appear unless a meeting of the working group had been held during the cycle in question.
- In accordance with the new role of this committee in keeping an overview of the Council's arrangements and how complaints were dealt with, that the

officers aimed to submit a scrutiny report to the committee on 17 November.

The Chair asked whether it would be possible for members of the committee to receive training on any unfamiliar fields before they scrutinised reports on those subjects. In response, it was confirmed that this was possible, and members were asked to inform officers if they wished to receive training on any specific field.

Members invited questions and observations. During the discussion, the following matters were raised:-

- A request was made for assurance that the pack on the Budget for the meeting on 9 February included a report on the current situation in relation to the reserves in every field, along with a report on the general balances. In response, it was confirmed that this committee would receive the same pack as would be submitted to the Cabinet Members to make a recommendation to the full Council. It was explained that the role of this committee would be to challenge and take an overview and ensure that the pack submitted to the Cabinet included the comprehensive information needed for those members to make their recommendation. Also, if an element of reserves would need to be used to bridge the financial deficit next year, the pack would outline the risks associated with that.
- A request was made to include a standing item on the agenda of every meeting of the committee, providing updates on matters raised at previous meetings, as it was not possible to raise matters from the minutes. In response, it was noted that it was possible to include an item on the agenda of every meeting to provide an update to members on the implementation of decisions, and it was agreed to look into this for the next meeting.

**RESOLVED to accept the report, with the observations presented during the discussion.**

The meeting commenced at 10.00 am and concluded at 11.45 am

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**CHAIRMAN**