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## AUDIT AND GOVERNANCE COMMITTEE 13/02/20

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**Present:** Councillor John Brynmor Hughes (Chair)

**Councillors:** Aled Ll. Evans, R Medwyn Hughes, Peredur Jenkins, Aled Wyn Jones, Berwyn Parry Jones, Edgar Wyn Owen, Dewi Wyn Roberts, John Pughe Roberts and Paul Rowlinson.

**Lay Member:** Sharon Warnes

**Others invited:** Councillor Ioan Thomas (Cabinet Member – Finance)

**Officers:** Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Assistant Head of Finance - Revenue and Risk), Luned Fôn Jones (Audit Manager) and Annes Sion (Democracy Team Leader).

**Also in Attendance:**

In relation to item 6 on the agenda: Dilwyn Williams (Chief Executive)

In relation to item 6 on the agenda: Delyth Jones-Thomas (Investment Manager)

In relation to item 13 on the agenda: Iwan Evans (Head of Legal Service / Monitoring Officer) and Sion Huws (Senior Solicitor)

**1. APOLOGIES**

Apologies were received from Councillors Huw Wyn Jones, Charles Wyn Jones and Angela Russell.

**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 meeting of this committee that took place on 28 November 2019, as a true record.

**5. BUDGET 2020/21**

The report was submitted by the Cabinet Member for Finance which outlined the budget for 2020/21. It was expressed that the work of planning the budget had commenced in

June, and that projections in July had highlighted the need for savings schemes. It was explained that savings schemes had been discussed at the Scrutiny Committees over the past few months and that a number of savings schemes had reduced as some schemes were contentious. It was explained that the budget had been discussed in a series of workshops where all members were invited and the report would be submitted to the Cabinet on 18 February.

The Head of Finance Department added that the budget would be submitted to the Full Council at the beginning of March. It was explained that the draft settlement was better than what had been anticipated and covered inflation. However, it was stated that the draft settlement was insufficient to meet the additional demand on services in the care field. It was noted that the final settlement would be announced by the Government on 25 February.

The Additional Expenditure requirements table was discussed and attention was drawn to the main headings. In terms of Salary Inflation, it was expressed that there would be a salary increase of over 2% in line with the national projection, along with an increase in the employers pension contribution to the Teachers' Pensions Scheme. It was noted that the Pension Fund had received better than expected returns in recent years and, as a result, the Council would not contribute as much as an employer into the Fund next year. It was expressed that the net figure for schools indicated different positions in different sectors, with a reduction in the number of pupils in primary schools but an increase in the number of pupils in secondary schools. Attention was drawn to the Discontinuation of Specific Grants, noting that the Government funded schemes with grants and then noting that grants would not continue in the following year, and in the case of the child care preventative grant, the money would not be transferred to the settlement either, and the Council, as a result, would need to provide the funding. Attention was drawn to the bids seen under the Pressures on Services heading noting that the level of service in the care departments highlighted the additional demand for services. It was explained that there was a bid for the Homelessness Service, and if an additional grant would be proposed for this field, it was stated that it would be possible to withdraw the bid. It was stated that the budget noted that staff collective agreement adjustments would be abolished completely this year.

Attention was drawn to the Budget Setting table which highlighted the Council's spending needs, and it was explained that the financial deficit would be met by raising Council tax by 3.9%. It was elaborated by stating that the Council Tax increase rate in Gwynedd over the years had been lower than the Welsh average. It was stated that a good consensus had been highlighted at the Budget Workshops held, and the recommendation had been supported by the majority of Council members following these discussions.

The Head of Finance Department added that Council's balances had been a key instrument which allowed the Council to wait and see the grant settlement situation, before even considering any level of savings above the £2 million. It was explained that balances had bought time and had avoided scaremongering about cuts that were not required for 2020/21. It was added that keeping the balances would allow the use of the same tactics again for the 2021/22 budget. He stated that no Medium Term Strategy had been submitted with the budget this year, as there was uncertainty about the future in advance of the Westminster Government Chancellor's budget that would be announced on 11 March. He confirmed that the budget for 2020/21 was balanced.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- The Head of Finance was asked about Transfers to the Settlement and Discontinuation of Specific Grants and he elaborated on what exactly

these were. In terms of transfers to the settlement, it was noted that these were continuing grants but that the funding would be transferred to the Council's general grant along with relevant responsibilities. It was highlighted that there were some specific grants where the Council was expected to commit to additional expenditure and that the Council was expected to provide funding when the grants ended.

- It was asked why Housing Schemes in the capital programme was halving in 2021/22. It was stated that it was inconsistent and slipped from year to year.
- Concern was noted about many specific grants in the care field from Welsh Government, noting that there were no specific schemes for the future.
- It was highlighted that the budget was clear and officers from the Finance Department were thanked for their work and support.

**RESOLVED to note and accept the report.**

## **6. CAPITAL STRATEGY 2020/21 (TO INCLUDE INVESTMENT AND BORROWING STRATEGY)**

The report was submitted by the Investment Manager noting that the presentation was on the 2020/21 capital strategy. It was added that it provided an overview of the expenditure and how risks were being managed. Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions was highlighted noting that it stated a total of £49 million but that it included £5m due to a change in the accounting for leases. The main projects were noted, which included

- Capital Bids £2.0m
- Residential Homes £1.5m
- Housing Strategy £4.2m
- 21st Century Schools £1.5m

It was stated that all capital expenditure would need to be financed, either from external sources, the Council's own resources or debt, and attention was drawn to the table which noted how it would be financed. In terms of Treasury Management, it was stated that there was not much change as the Council did not take out long-term loans.

It was explained that the report was very technical and that a presentation had been received by the Arlingclose company, the Council's Treasury Management Consultants, and it was stated that the Investment Manager was asking the Committee to accept the report, to note the information and relevant risks and to support the intention of the Cabinet Member to submit the strategy to the Full Council.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was highlighted that Schemes of the Capital Programme for Road, Bridges and Municipal were increasing over the coming years and it was asked what was the reason for this. It was stated that the scheme was for a 10 year period and that some projects would not commence for a few years.

**RESOLVED to accept the report and the intention of the Cabinet Member to submit the strategy to the Full Council for approval was supported.**

## 7. REVENUE BUDGET 2019/20 - END OF NOVEMBER REVIEW

The report was submitted by the Senior Finance Manager, noting that the report highlighted some signs of difficulties with achieving savings. It was stated that some departments were overspending and these were discussed individually.

Adults, Health and Well-being Department - it was stated that latest forecasts suggested over £1.8 million of overspend by the department. It was added that overspend would be partly alleviated to £658k following the receipt of a grant and use of one-off funding.

Children and Supporting Families Department - it was noted that the level of overspend in the department had intensified further to £3.2 million with £2.6 million in the field of placements, with a substantial proportion of overspend resulting from out-of-county placements. It was added that a Budget Taskforce had been established to address financial issues in the department, and it was stated that an additional £1.8 million would be available for the Children's Department in order to meet additional pressures.

Highways Department - it was stated that overspend continued in the area of waste collection and disposal this year, noting that transitional costs before moving to new arrangements had led to the overspend.

Attention was drawn to corporate underspend with favourable forecasts of additional Council Tax yield and Council Tax Premium yield. Despite this, it was highlighted that there was a continued trend of back-dating transfers from Council Tax to Non-domestic Rates. It was also emphasised that the number claiming Council Tax reductions was at its lowest level for the fourth year in succession. The Cabinet's decision was noted as follows:

Resolved to:

- Accept the report on the end of November 2019 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department/service.
- Note that there is significant overspend by the Adults, Health and Well-being Department this year, as complex details need to be clarified in Adult care, the Chief Executive has already called a meeting of the relevant officers and commissioned work to obtain a better understanding and a clear response programme. To try and address overspend in future, an additional resource has been allocated as part of the bidding process for the 2020/21 budget.
- Note that a Children's Budget Taskforce has been commissioned by the Chief Executive to address the complex financial issues of the Children and Families Department in order to get to the root of the overspend, with the intention of presenting a report to the Cabinet which will detail the response plan. To try and address overspend in future, an additional resource has been allocated as part of the bidding process for the 2020/21 budget.
- On Corporate budgets, that:
  - (£198k) yield on Council Tax Premium added to the £2.7 million that has already been allocated in 2019/20 is considered for the Housing Strategy.
  - (£75k) relating to capital costs be allocated to the capital programme fund.
  - (£500k) of Corporate underspend be allocated to fund the lack of grant in the area of sustainable social services.

- (£312k) be used to fund one-off bids that have been presented by the Departments for the purpose of 2020/21 expenditure.
- The balance of (£502k) goes to the Council's general balances.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- In terms of School Transport in the Education Department, it was asked whether or not the department was examining the reasons for the overspend. The Chief Executive noted that there were many reasons for the overspend which included children not settling in schools and resulting in them attending other schools. It was emphasised that the conclusions of the review highlighted the need for the department to be more challenging and to consider different methods of offering transport and it was stated that the Chief Executive had asked two departments to consider joining forces to see whether it would be possible to come to a conclusion and to undertake the work efficiently. It was asked whether a review had been undertaken and it was stated that some contracts were expensive but that the department was examining each case on an individual basis.
- When examining the overspend of the Children and Supporting Families Department, it was asked whether a discussion was being held with other counties as out-of-county problems were common across north Wales. It was stated that an internal taskforce had been set up due to the lack of systems and the overspend which had resulted from a lack of savings schemes. Due to the nature of the service, it was added that there was a need to examine what would be possible and regional solutions were part of the schemes and that out-of-county placements had initiated collaboration.
- It was stated that the care field was an annual problem and that the solution was not easy. It was added that Councils across Wales faced these problems and that there were serious cases within communities. It was emphasised that matters were not being discussed seriously on a national level and that there was a need to accept that demand in the care field was increasing annually. It was emphasised that it was not possible to cut these services but instead there was a need to ensure that the fields were working effectively.

**RESOLVED to accept the report.**

## **8. CAPITAL PROGRAMME 2019/20 - END OF NOVEMBER REVIEW**

The report was submitted noting that it had been submitted to the Cabinet on 21 January. It was noted that an analysis by Department of the £89m capital programme for the 3 years was included in the report. It was added that this showed an increase of approximately £1.3 million since the previous review. Attention was drawn to the main findings namely that firm schemes were in place to invest approximately £31 million in 2019 on capital projects, with 41% of it being financed by attracting grants. It was added that an extra £9.2 million of proposed expenditure had been re-profiled from 2019/20 to 2020/21 but no loss of funding had been caused to the Council.

The additional grants the Council had attracted were noted, which included:

- £541k - Expansion of 21st Century Schools grant schemes

- £286k - Welsh Government grant towards the Llŷn Land and Sea Project
- £128k - Regional Development Fund grant to develop Plas Heli
- £120k - Local Transport Fund grant from Welsh Government towards various schemes
- £58k - Welsh Government grant towards schemes in the Llŷn Area of Outstanding Natural Beauty
- £29k - Welsh Government grant towards Free Swimming schemes.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was stated that the capital programme adapted from year to year.

**RESOLVED to accept the information.**

## **9. SAVINGS OVERVIEW 2019/2020 - PROGRESS ON REALISING SCHEMES**

The report was submitted by the Senior Finance Manager noting that the report summarised the savings position following the Cabinet's discussion on the Performance Reports. It was noted that £32m worth of savings had been approved since 2015/16 and that £28.4m of these schemes had been realised. Significant risks were highlighted to the savings of the End to End Review by the Children and Supporting Families Department, but it was added that the Children's Budget Task Group had been commissioned to address the Department's financial issues, including this field.

Two risks by the Adults Department to realise savings were highlighted and that the Education Department had proposed alternative schemes. It was stated that there was a slippage in the savings of the Housing and Property Department and that the department needed to examine alternative schemes.

It was noted that 22 of 121 schemes this year were slipping. It was stated that finding savings had been challenging and difficulties had arisen but that savings were inevitable.

**RESOLVED to accept the information.**

## **10. OUTPUT OF THE INTERNAL AUDIT SECTION**

The report was submitted by the Audit Manager noting that the report summarised the work of the Internal Audit section for the period from November 2019 to 31 January 2020. It was added that there were 12 Reports on Audits from the Action Plan and one grant audit. The table setting out the audits from the plan that had been completed during the period was highlighted, indicating the relevant assurance level.

Attention was drawn to the Post-16 Grant audit noting that local authorities were required to provide evidence of appropriate expenditure of the allocations in respect of sixth forms and adult continuing education. It was stated that the information and related check-lists had been submitted to Welsh Government within the deadline.

It was noted that new arrangements had been established for follow-up audits. On 31 January 2020, there was acceptable implementation on 64% of the agreed actions to mitigate high/very high risks and 70% of the agreed actions to mitigate medium / low risks.

Attention was drawn to Arrangements for Returning Equipment - "Limited" assurance level. A Committee member stated that a lack of arrangements to return the Council's ID cards could be problematic. It was stated that a check-list was required but that it was the responsibility of individuals to return their ID cards. It was emphasised that support was needed for managers in order to strengthen consistency and management.

A discussion was held on the Appointment and Cost of Supply Teachers - Secondary - Satisfactory Assurance Level. It was noted that many unqualified teachers were appointed as supply teachers. It was enquired whether or not the responsibility for this fell on the Council or the Schools or Governors. A further discussion at the Education Scrutiny Committee meeting was requested.

Harbours' Health and Safety was examined which had a "Satisfactory" Assurance Level. In terms of risk assurance, it was enquired whether it was increasing or reducing. It was stated that some time had passed since these were last examined and as a result, it was not possible to draw comparisons. It was noted that the Audit Service would bear this in mind in future.

Attention was drawn to the Padarn Park Safety Measures noting that the Maritime and Country Parks Service believed that the Emergency Plan was not practical anymore considering the size of the site and that it was open for 24 hours a day. It was emphasised that practical emergency plans were required that would encompass all of the rural parks.

**RESOLVED to accept the report.**

#### **11. INTERNAL AUDIT PLAN 2019/20**

The report was submitted by the Audit Manager and a summary of the plan's work was provided. It was noted that 17 audits had been postponed and, as a result, amendments had been made to the current plan. Of the 51 individual audits in the 2019/20 plan, it was stated that 31 had been released acceptably. It was emphasised that it was inevitable that amendments would be made to the plan to reflect the long-term sickness of a Senior Auditor and the time of a Senior Auditor in assisting the Snowdonia National Park Authority.

The audits were highlighted and it was resolved to cancel them. These included Safeguarding Arrangements, School Funds and Information Technology Systems.

**RESOLVED to note the update on progress against the 2019/20 audit plan.**

#### **12. DRAFT INTERNAL AUDIT PLAN 2020/21**

The report was submitted by the Audit Manager who noted a draft plan of the Internal Audit section's work for 2020/21. In order to ensure that the correct matters were reviewed, it was stated that consideration had first been given to the Corporate Risk Register, Gwynedd Council's Strategic Plan and any other significant developments. In doing so, it was explained that it had been possible to prepare an initial draft plan, which had been discussed with each Head of Department.

It was stated that there were approximately 711 days of audit resources to complete the 2020/21 audit plan.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- It was noted that it was important for Brexit to be reviewed as there was a need to explore arrangements in terms of suppliers, for example.
- It was emphasised that School Playing Fields were a high risk.

**RESOLVED to approve the draft Audit Plan for the period 1 April 2020 to 31 March 2021.**

### **13. REVIEW POLLING DISTRICTS AND POLLING PLACES**

The report was submitted by the Head of Legal Services noting that Local Authorities were required to review each polling district and polling place every five years. It was added that this process was a continuous process within the Council and he added that a further review of polling arrangements would be undertaken in light of the recent review of the Boundary Commission for Wales.

It was stated that the review had adhered to the process and a public notice of the review had been issued and copies had been sent to potential interested parties. When contacting, it was explained that it would be helpful, where concerns were expressed about a particular polling station, that suggestions were also made for an alternative venue. It was stated that six responses had been received which highlighted concerns about two stations as they were not ideal in terms of access for the disabled. Despite the concerns, it was added that respondents recognised the shortage of appropriate alternative places at this time. It was noted that there were some minor amendments in terms of the review - some regarding new locations.

Members were given an opportunity to ask questions and offer observations. During the discussion, the following main points were highlighted:

- In terms of the Boundary Commission, it was enquired whether there was a clear timetable for a decision. It was stated that there was no clear timetable but the informal understanding was that an Order would be in place by the summer.
- It was enquired who was responsible for assessing places as the building in Dolgellau was unsuitable. It was stated that they had not received information about this station and that it would be possible to look into the matter.

**RESOLVED to accept the report and results and to recommend that they are included for submission to the Council.**

The meeting commenced at 10:00 and concluded at 12:15

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**CHAIRMAN**