

---

## GOVERNANCE AND AUDIT COMMITTEE 9 February 2023

---

### Present:

**Councillors:** Menna Baines, Jina Gwyrfai, Medwyn Hughes, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Paul Rowlinson, Angela Russell, Rob Triggs and Elfed Wyn ap Elwyn

**Lay Members:** Sharon Warnes (Chair), Hywel Eifion Jones, Clare Hitchcock and Rhys Parry

### Officers:

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance - Accountancy and Pensions), Delyth Jones-Thomas (Investment Manager), Caren Rees Jones (Group Accountant - Capital and Management), Bleddyn Rhys (Audit Leader), Eva Chan Williams (Audit Leader) and Lowri Haf Evans (Democracy Services Officer).

### Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)

Item 5 and 6: Iwan Evans (Head of Legal Services), Dewi Wyn Jones (Operational Support Manager), Bethan Richardson (Climate Change Programme Manager)

Yvonne Thomas, Alan Hughes (Audit Wales)

Item 7: Council Leader - Cllr Dyfrig Siencyn, Chief Executive - Dafydd Gibbard, Ffion Mai Jones (Operational Support Leader)

### 1. APOLOGIES

Apologies were received from Carys Edwards (Lay Member)

### 2. DECLARATION OF PERSONAL INTEREST

Councillor Paul Rowlinson declared an interest in item 11 Output of Internal Audit - Appendix 10 - Ukrainian Refugees Scheme, since he was offering accommodation to a refugee from Ukraine. The Monitoring Officer noted that it was not a prejudicial interest and so the Councillor did not have to leave the meeting.

### 3. URGENT ITEMS

None to note.

### 4. IMPLEMENTING THE DECISIONS OF THE COMMITTEE

- a) In accordance with a request made by the Committee at the meeting on 08/09/22, a report was submitted providing an outline of how the Council's departments had responded to the decisions of the Governance and Audit Committee so that Members obtained assurances that their decisions were addressed. It was noted that the report gave Members an opportunity to consider the decision made with the intention of removing the item / decision when the action was completed.

- b) The officer was thanked for the report.
- c) In the context of the Annual Complaints and Service Improvement Report 2021/22, and the suggestion that the Chair revisited the Committee's responsibilities of providing an overview of 'all Council departments' (considering that the Care and Education Services have their own statutory procedures), the Chair noted that Governors were responsible for reviewing school complaints, but that the Education Service's complaints procedure was the Committee's responsibility. He reiterated that the complaints report of the Children and Adults, Health and Well-being Services would be submitted to the Care Scrutiny Committee.

In response, the Head of Finance highlighted that the Committee had a statutory role to review the procedure used by the Council to deal with complaints, and that there was a need for assurances by the Committee that the procedure was effective and for this to be noted in the complaints report.

It was proposed and seconded to accept the report

#### **RESOLVED:**

##### **To accept the report**

##### **Note:**

- **Need to discuss the Committee's statutory role in respect of the Council's complaints procedure**

#### **5. UPDATE ON THE REPORTS RECENTLY PUBLISHED BY AUDIT WALES**

- a) Two reports were submitted, along with the Council's response, in order to update the Committee on recent announcements by Audit Wales:
- Arrangements for responding to the Local Government and Elections (Wales) Act 2021  
The Council's response to the Act
  - An update on De-carbonisation Progress  
The Council's response to de-carbonisation

Alan Hughes and Yvonne Thomas (Audit Wales Office), Iwan Evans (Head of Legal Service), Dewi Wyn Jones (Operational Support Leader) and Bethan Richardson (Climate Change Programme Manager) were welcomed to the committee to present their comments / responses.

In the context of responding to the Local Government and Elections (Wales) Act 2021, it was noted that Audit Wales were looking at the arrangements that the Council would put into practice in response to the Act. An assessment of the response to the five work fields was presented. The individual work fields were discussed and what had been implemented to ensure control and progress was elaborated upon.

In the context of the De-carbonisation Progress report, it was noted that the Council had a clear vision, but that there was a need to identify measures soon to measure de-carbonisation steps to evidence progress in the work - reference was made to two recommendations proposed following the audit.

The Climate Change Programme Manager reiterated that every effort was being made to ensure that steps were in place to meet the requirements of the review. She noted

that the Council was measuring data annually, with the data being used to measure the impact of a number of the plans included in the Climate Emergency Plan.

Thanks was expressed for the reports.

In response to a question regarding GwyrddNi (an organisation that acted on climate change, located in the community and led by the community), it was confirmed that the Council was collaborating with GwyrddNi.

In response to a question regarding collaborating with capital projects, such as Barmouth Viaduct and considering potential opportunities to include de-carbonisation in those projects, it was noted that work was being done to look at in-house policies and to ensure that de-carbonisation and climate matters were incorporated as fundamental matters when developing projects. The Audit Wales Officer reiterated that de-carbonisation would be a key element in relation to accepting grant applications in the future.

## **RESOLVED**

- **To accept the report and the managers' response to the recommendations in 'Arrangements for Responding to the Local Government and Elections (Wales) Act 2021'**
- **To present a report in six months' time to update the Committee with regard to transferring the functions of the North Wales Economic Ambition Board to an empowered sub-committee of the North Wales Corporate Joint Committee, to streamline governance and avoid duplication between both bodies**
- **To accept the report and the managers' response to the recommendations in 'Update on Decarbonisation Progress'**

## **6. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS**

- a) The report was submitted by the Corporate Director. Members were reminded that the item was to be considered as a governing 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 of the 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. It was reiterated, in relation to those proposals where the conclusion noted 'completed', they would not be receiving further attention by the Committee; an update will be provided to the Committee on those noted as 'in progress' within 6 months.

Following comments from the Committee at the meeting in June 2022, it was noted that the format had been altered as well as the key which now included three headings - preparatory work / in progress / completed. It was noted that a reference to the timetable for the work was also included.

The officer was thanked for the report.

In response to a question regarding a clear action programme for the plans, it was noted that every plan had clear recommendations and a detailed action plan. It was reiterated that although a rough action plan was submitted to the Governance and

Audit Committee, that full and detailed reports were submitted to the relevant Scrutiny Committees with the Governance Committee receiving a response to the comments of the Scrutiny Committees.

In response to a comment that the 'Review of Domiciliary Care Service Report' was 'completed' and whether the criteria had been met and the issue scrutinised, it was noted that the Service in question had received a recent audit by the Care Inspectorate and that a response would be prepared by the next meeting of the Committee.

In response to a follow-up comment regarding the term 'completed' and the need for a concise explanation which possibly explained the situation in full, it was highlighted that 'completed' meant more than one thing in the key and the need to highlight which one was relevant to the report was accepted.

## **RESOLVED**

- **To accept the report and note the information that there are appropriate arrangements in place to ensure that improvement proposals arising from external audit reports are implemented**

### **Note:**

- **That 'completed' means one of two things in the 'key to the conclusions' - there is a need to highlight which one applies to the conclusions of those proposals / recommendations that are 'completed'.**

## **7. 2023/24 SAVINGS**

- a) Submitted – the report of Councillor Dyfrig Siencyn, Council Leader, asking the Committee to consider the propriety of the process of identifying the savings, and submit observations to the Cabinet to consider before coming to a decision at their meeting on 14-02-23. It was reported that it was not the Committee's role to express an opinion on the size of the savings or the features of individual proposals recommended as savings, but rather to ensure that the Cabinet was clear on the facts that were presented to it, so that the decisions made were based on robust information.

When presenting the background to the work, it was noted, despite receiving a better settlement than projected from the Welsh Government, that the sum was insufficient to meet costs, and that there was a financial deficit of £12.4m in order to achieve a balanced budget.

In order to identify savings, 320 proposals were received from Council Departments (with a value of approximately £23m). Every proposal had been assessed by the Chief Executive or by one of the Corporate Directors and they were placed in four categories to assist Members to prioritise with an awareness of what the level of risk would be from implementing any individual proposal.

It was reiterated that a legal assessment and high-level financial assessment had been completed on every individual scheme in order to ensure that they were achievable. When submitting their proposals, the Departments had included an assessment of the impact of each proposal on the residents of Gwynedd as well as an initial consideration of equality considerations.

Over a three-day period, every Head of Department had submitted their proposals to workshops comprising of Cabinet Members, Scrutiny Chairs and Vice-chairs, as well as the Leaders of the Council's Political Groups. Throughout the process, the main aim was to seek to identify proposals that would have the least impact on the residents of Gwynedd should they be implemented. The outcome of the process was identifying around £6.4m of efficiency savings that could be implemented.

Considering that the Council was facing a financial deficit of around £12.4m over the next two years, it was reported that the first phase of savings (£6.4m) would not be sufficient to address this, and that the proposal was to revisit the remaining proposals submitted by the departments over the coming months. Based on the current financial projections, a total of between £8m and £8.6m would need to be found towards a financial deficit of £12.4m - between £1.6m and £2.2m would need to be found in additional savings before setting the 2024/25 budget. It is anticipated that this would push the Council into the territory of cuts instead of efficiency savings that are recommended in the report, and the need for more support by the individual Scrutiny Committees to face this challenge was noted.

The officer was thanked for the report.

In response to a question regarding how the Adults, Health and Well-being Department would cope, considering that they have an overspend and slippage in current savings plans, it was noted that some of the schemes were now historical and that new plans and ideas were needed. It was reiterated that current circumstances were very different to the situation in 2015 and therefore there was a need to consider the situation realistically. It was noted that a sum for the failure to deliver had been earmarked.

In response to a question that substantial plans within the Adults, Health and Well-being Department and the Children's Department had existed for some time and if the proposals submitted were aspirations (which needed to be completed in two years!), it was noted that the proposals were more than aspirations, and that there were no definitive plans at present as business cases had not been drawn up for every scheme. Consequently, a risk figure would have to be included. (It was reiterated that the 'Child Placement Plan' was progressing, with a business case completed and a grant identified).

In response to an observation regarding bridging the deficit to complete the proposal / plan, and the allegation that this could reduce the effort of completing within the budget, it was accepted that some schemes were more complicated than others and that this needed to be highlighted to the Cabinet.

In response to a question about asking all Departments to offer savings of 20% and that this had not been realised, it was noted that Schools and some Corporate Schemes had not had to propose 20% since they were under direct control.

In response to a comment that there was a need to ensure that the schemes would not have a harmful impact on work in the future, it was noted, indeed, that the proposals had not been considered as temporary measures.

In response to an observation regarding giving consideration to carbon emissions and the need to reach net zero by 2050, it was noted that some of the revenue savings were climate schemes, e.g. £3m of solar panels on 80 Council sites.

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

- That the process had been thorough

- That the work had been completed in an orderly way - every Department had had the opportunity to contribute and that the guidance had been very professional
- It was good to see that two years were being considered, and they welcomed savings instead of cuts.

In response to a question about the process of raising income, it was noted that a number of factors had been considered and that it was not possible to set the same percentage for every Department since some services competed with the private sector. It was reiterated that the proposal, in some departments, such as YGC, was to extend units of work to generate an income. It was reiterated that an annual income review was being implemented as a part of setting the budget.

In response to a question regarding the £1.6m fund for risk and if the usual accounting practice was to reach this amount or another rationale, it was noted that a combination of what was accepted in the field of accountancy, project management and practice had been considered. It was reiterated that the amount was higher than what had been used in the past, but that this was a combination of good practice and experience.

In response to a question regarding equality impact assessments and the consideration that savings and cuts would have an unbalanced impact across the County, it was noted that no scheme proposed a specific change in one part of the County. It was reiterated that there was no intention to offer different services in different parts of the County, but a warning was given that this may be a possibility in the second phase. In a supplementary comment, it was suggested that this needed to be included on the impact assessment form.

The Leader took the opportunity to give thanks for the valuable comments submitted. He reiterated that the process had been beneficial and that it should possibly be considered as an annual process. He noted that any cut would be likely to affect the County's residents but that the first phase would not be proposing cuts to services or provisions. The main aim was to achieve a balanced budget by having the least possible impact on the residents of Gwynedd.

## **RESOLVED**

- **That the process of identifying the savings had been challenging**
- **That reasonable steps, under challenging circumstances, have been taken to draw up the Savings Plan**
- **That the savings proposed are reasonable and achievable**
- **That the risks and implications of the decision are clear**
- **That the report is adequate to enable the Cabinet to make a decision on the entire Savings Plan**
- **To present observations from the discussion on the report to the Cabinet for its consideration when discussing the 2023/24 Savings in its meeting on 14/2/23**

### **Note:**

- **The risk of not achieving schemes needs to be better highlighted**
- **We need to highlight that the impact of the savings will not have a disproportionate effect across the County**

## **8. 2023/2024 BUDGET**

- a) A report was presented by the Cabinet Member for Finance, noting that the Council had received a draft grant increase of 7.0%, equivalent to a value of £14.6m in external

funding (7.9% was the average for Wales) for 2023/24, which was a significant improvement on the indicative settlement published in December 2022. Despite this year's reasonable settlement, it was reported that a number of factors would create additional spending pressures on Council services in 2023/24, with the need to increase spending by £27.8m to meet the pressures on the services' budgets. As well as addressing a higher rate of inflation than had been seen for many years, there was an opportunity to deal with broader spending pressures, including addressing ongoing costs deriving from the Covid-19 crisis, and abolishing or deferring savings schemes that were impractical to realise in 2023/24.

It was reported that the Committee's role was to scrutinise the information and ensure that the Cabinet and Council were clear of the facts presented to them so that the decision was based on robust information.

The Head of Finance Department was invited in his role as statutory finance officer to express his view and provide details on the robustness of the estimates that were the basis to the budget, along with the potential risks and mitigation steps.

He highlighted that the Cabinet's decision would be sought at its meeting on 14/02/23 to recommend to the Full Council (02/03/23) to establish a budget of £317,880,310 for 2023/24 to be funded via a Government Grant of £227,842,930 and £90,037,380 of income from Council Tax (with a 4.95% increase on the rates of individual dwellings) and establish a capital programme of £67,780,150 in 2023/24.

It was explained that Additional Expenditure Requirements had been considered in the budget and attention was drawn to those fields;

- Salary Inflation of £14.2m – the budget set aside an estimated increase of 4% in the 2023/24 pay agreement for the whole workforce, after an increase to reflect the situation that the final pay agreement for 2022/23 had been higher than what had been earmarked in the budget for it.
- Other Inflation of £11.1m - a sum that includes a provision for a broad range of changes in the rate of inflation of specific fields (Independent Residential Care Homes, Non-residential Care, Energy, Fuel, other price increases).
- Levies to relevant bodies are increasing.
- Demography - net reduction in the number of pupils and an increase in looked after children.
- Pressure on Services of £5.75m - it was recommended that bids worth £2.75m for additional permanent resources submitted by Council departments to meet inevitable pressures on their services were approved. In addition to the permanent bids, it was recommended to approve the addition to the Homelessness budget of £3m which is being funded from the Council Tax Premium, in accordance with the full Council's decision on 1 December 2022. It was noted that the submitted bids had been thoroughly challenged by the Leadership Team, prior to their recommendation for approval by the Cabinet.

Reference was made to other considerations where the impact of an increase in interest earned on returns when investing the Council's balances and cash flow was noted, as well as a reduction in employer pension contributions as a result of the triennial valuation. It was also highlighted that using a more prudent method of clearing Capital Funding Requirement debt in fewer years would also offer a saving of £2.4m - this comes as a result of reviewing the Revenue Minimum Provision policy.

In the context of savings schemes, it was noted that Cyngor Gwynedd had realised over £33.5m in savings schemes since 2015/16. It was highlighted that savings to the value of £950,250 which had already been programmed to reduce the Budget deficit

for 2023/24 had slipped due to the substantial impacts of Covid-19. These savings would be achieved during 2023/24, with the attainment to be reviewed annually.

After receiving information about the settlement from the Welsh Government, a financial deficit of £12.4m over two years was identified, with £6.4m in savings already identified for 2023/24. The intention was to commission further work to establish the second phase of savings and cuts (approximately £1.6m - £2.2m) before setting the 2024/25 budget.

The Head of Finance was of the opinion that the budget for 2023/24 was robust, sufficient and achievable..

- b) The officer was thanked for the report.
- c) During the ensuing discussion, the following observations were made by members:
- Agreed with the view in terms of not using balances
  - That there was a need to anticipate the recent proposal to increase teachers' salaries
  - That there was a need to press on the Government to issue a grant in order to enable change
  - That the report offered sufficient and robust details
  - That the funding of new bids was to be welcomed
  - That the reduction in pension contributions was to be welcomed, as well as the additional interest on balances
  - That it would be difficult to find 'one-offs' for 2024/25
  - Thanked Arlingclose again this year for a good presentation (on 3 February)

In response to a question as to why Cyngor Gwynedd as some other Councils did not use its balances, it was noted that although Cyngor Gwynedd had healthy balances, that the majority were earmarked for plans to realise the Council's Plan and to cope with necessary spending, e.g. inflation increases. It was reiterated that if using balances became the norm, then instability would soon follow.

In response to a question regarding the money that had been earmarked to establish the North Wales Corporate Joint Committee (CJC), it was noted that the establishment of CJC had been 'dumped' on Local Authorities and therefore we would have to cope with the situation. As the arrangements developed, it was noted that some functions may reduce in response to potential opportunities and situations. It was reiterated that Cyngor Gwynedd provided Finance and Support services for the CJC and that officers were encouraging and convincing them to keep costs down when establishing the system.

In response to a question with regard to using the premium money from some classes of second homes and long-term empty properties to close the financial deficit in the homelessness field rather than using reserves, given that the aim of the premium was to implement the Council's Housing Action Plan and keep local people in their communities, it was noted that the premium funding that had already been collected would be used as a one-off in order to deal with the overspending in the homelessness field, and that this would not affect the implementation of the Housing Plan. It was reiterated that discussions were taking place with the Housing and Property Department in order to reduce the overspend projected in 2022/23. He added that the premium funding would certainly not be used for any other field and that it would not be for general use. From 2023/24 onwards, until there would be a change in the Premium policy, a specific sum would be earmarked from the Premium in order to deal with the increasing costs of homelessness.



## **RESOLVED**

- **To accept the report and note the content**
- **To accept the financial propriety of the proposals and the relevant risks**
- **To present observations from the discussion on the options to the Cabinet for its consideration when discussing the 2023/24 Budget in its meeting on 14/2/23**

### **9. CAPITAL STRATEGY 2023/24 (INCLUDES INVESTMENT AND BORROWING STRATEGIES)**

- a) The Investment Manager presented a report, providing an overview of the Council's Capital activities and treasury management. Members were reminded that they had received a presentation by Arlingclose, the financial consultants, explaining the detail behind the strategy in an understandable and comprehensive manner.

Reference was made to the capital activities and attention was drawn to the fact that the Council intended to make capital spending of £67.8 million in 23/24, with the main schemes listed in the report, along with the funding sources. It was noted that the external resources were mainly from Welsh Government and the funds were our own resources. The remainder of the funding came from loans that would be repaid over a number of years, normally from revenue resources or from income from the sale of assets, which was consistent with the actions of previous years. This meant that the indicator - Council's Capital Funding Requirement, would be £177.8 million by the end of the 23/24 financial year, namely the level that the Council's long-term borrowing should remain below.

In the context of the Borrowing Strategy, it had been highlighted recently that there had been no long-term borrowing requirement, only a short-term requirement at a low cost over the end of the financial year; this would continue with no long-term borrowing anticipated for Cyngor Gwynedd activities, and that the Council's debt would remain below the Capital Funding Requirement.

It was highlighted that Arlingclose had highlighted the need to report on the Liabilities Benchmark every quarter from now on. The Council would expect its borrowing to be above its liabilities benchmark for the duration of 2024 since the Council had a high level of reserves. It was reiterated that the situation would be monitored on an on-going basis, with regular updates presented to the Committee.

In the context of the Investment Strategy, it was noted that the Council's policy was to prioritise security and liquidity over output in order to ensure that money was available to pay for the Council's services. It was noted that sums were being kept to ensure continuous liquidity - it was considered that retaining liquidity and security was a priority at present in a period of cuts and inflation.

Reference was made to the risk management and governance, and the details of the long-term commitments of the Council, e.g. to redress the deficit in the Pension Fund, and the impact of the funding costs on cash flow. It was also confirmed that officers had the relevant knowledge and skills, and that Arlingclose would continue to provide a financial advisory service to the Council for the coming years.

## **RESOLVED:**

- **To accept the report and to note the information and relevant risks**

- **To support the Cabinet Member for Finance's intention to submit the strategy to the Full Council for approval on 2 March 2023**

## **10. INTERNAL AUDIT PLAN 2022/2023**

- a) Submitted, for information, a report by the Audit Manager updating the Committee on the current situation in terms of completing the Internal Audit Plan 2022/23. Reference was made to the status of the work and the time spent on each audit. It was highlighted that 59 out of the 46 individual audits in the plan, that 27 had been released in a final version or had been closed.

**The officer was thanked for the report.**

### **RESOLVED:**

- **To accept the report, noting the progress made against the Audit Plan 2022/23**

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

- a) Submitted for information, a report by the Audit Manager updating the Committee on the internal audit work for the period from 1 May 2022 until 25 January 2023. It was highlighted that 24 of the audits in the plan had been completed and given a high assurance level; adequate or restricted.

Each audit was referred to in turn.

- b) Matters arising from the ensuing discussion:

### **Taxi Safety Audit**

- Concern that the expected evidence was not seen when processing taxi licence applications (registration documents, MOT certificates and insurance documents were missing).
- There was a need to ensure that the Licensing Department had valid actions in response to the concerns and to avoid a continuation of mistakes in 2023/34.

In response, it was noted that staff shortages was one of the reasons for the drop in the quality of the work and that staff seconded to the Department were inexperienced. It was reiterated that every effort had been made to improve the situation.

In response to a question as to whether the arrangements applied to water taxis and ferries, it was noted that this could be included in the 2023/24 plan.

### **Social Economic Duties Audit 2021**

In response to a question where it was challenged whether 'adequate' was the correct conclusion in the audit, considering that impact assessments had to be supported by data in order to justify the statements, it was noted that one part of the final assessment form was being addressed here, in response to the duty of encouraging better processes to make strategic decisions and for the Authority to consider the inequality that derived from economic disadvantage. In response to a supplementary question as to whether gathering views and experiences were considered per group or area, it was noted that views were gathered per individual or group, but that geographical information was available for consideration. It was reiterated that requests for experiences seemed to overcome the need for data by now.

### **Audits of Plas Gwilym, Hafod Mawddach and Bryn Blodau Residential Care Homes**

- Concern that a pattern was emerging regarding concerns at Care Homes.
- Has consideration been given to the complaints that are relevant to this service? Although a corporate complaints audit has been completed, is it possible to build the findings into the Audit? Suggestion to look at specific events, complaints, matters arising as a part of the future methodology - that it is possible to use other sources of information such as Ombudsman reports.
- That the findings of the audit are too favourable considering the historical patterns to the control steps.
- That there is a culture in this field, not restricted to the three homes in question alone, to cut corners and ignore procedures - need to act and refer the matter to the Care Scrutiny Committee.

c) The officer was thanked for the report.

#### **RESOLVED:**

- **To accept the report**
- **To support the actions that have already been agreed with the relevant services**
- **To request an update from the Audit on Taxi Safety (limited assurance level)**
- **That the matter of not implementing regulatory procedures in Care Homes should be referred to the Care Scrutiny Committee.**

The meeting commenced at 10:00 and concluded at 13:30

---

**CHAIR**