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## GOVERNANCE AND AUDIT COMMITTEE 26 January 2023

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### Present:

**Councillors:** Menna Baines, Jina Gwyrfai, Medwyn Hughes, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Paul Rowlinson, Angela Russell 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), Sian Pugh (Assistant Head of Finance – Sustainability and Developments), Caren Rees-Jones (Group Accountant – Capital and Management), Caleb Lewis (Finance and Accountancy Professional Trainee), 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: Yvonne Thomas, Erin Pollard and Alan Hughes (Audit Wales)

#### 1. APOLOGIES

Apologies were received from Councillor Rob Triggs

#### 2. DECLARATION OF PERSONAL INTEREST

None to note.

#### 3. URGENT ITEMS

None to note.

#### 4. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 17 November 2022 as a true record.

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

- a) Submitted – the report of the Head of Finance Department, requesting that the Committee consider and approve the Statement of Accounts 2021/22 (post-audit), Audit Wales's 'ISA260' report and the Letter of Representation (Appendix 1 to the Audit Wales report), before authorising the Chair to certify the letter electronically.

The Cabinet Member for Finance noted that the Officers had released the accounts to Audit Wales on 13-06-2022 so that Audit Wales could prepare a report for approval by the Committee. The Members were reminded that draft accounts were submitted to the Committee on 08-09-2022, where the main matters and relevant notes had been highlighted.

The Head of Finance added that there had been a delay this year in obtaining the report from Audit Wales because of a technical matter related to infrastructure, which meant that the 2021/22 final accounts of all Welsh Local Authorities would be

approved in January 2023. He thanked all the officers who had been involved in the process.

The Assistant Head of Finance – Accountancy and Pensions guided the Members through the report and highlighted that there had been minor amendments to the one submitted to the Committee in September 2022. She drew attention to the following:

- Note 15 – Property, Plant and Equipment – To comply with national requirements, infrastructure had been removed from the main table in Note 15 for the two years and had been added as a separate section
- Because of high inflation, compared with consistently low inflation over the past years, there had been implications on the valuation, therefore the usual arrangements had been revised. Consequently, the valuation was higher in response to the higher inflation.
- Note 15 – Property, Plant and Equipment – there had been a review of assets that had fully depreciated but which remained on the assets register. Those that had ceased to be in operation had been derecognised and removed from the note.
- Note 19 – Cash and Cash Equivalents – an amendment to the arrangements for stating figures relating to the Pension Fund – an adjustment to the overdraft element and then a corresponding adjustment on the creditors (adjustment for 2021/22 and 2020/21).
- Note 30 – Officers' Remuneration – minor amendments partly due to a discrepancy between CIPFA directions and the Act (CIPFA directions had been followed)
- Note 35 – Leases – Cwmni Cynnal had ceased at the end of March 2022, but still appeared in the note – it no longer needed to be included.
- Note 27 – Expenditure and Income Analysed by Nature – a technical adjustment relating to income classification (no impact on the bottom line, but rather between two sub-headings)

Reference was made to the two recommendations by Audit Wales.

1. Following a review of short-term creditors, the Council's creditors had been overstated by £274k on 31/03/2022. It was explained that this was down to a matter of timing and although the creditors required inclusion previously, the situation had changed by the end of the financial year and thus the amount should have been removed. Since the sum of £274k was not material, the adjustment would be made in the 2022/23 accounts.
2. Further review and strengthen working papers to provide a clear audit trail.

Officers intended to cooperate with Audit Wales on the recommendations for the 2022/23 accounts.

- b) Gratitude was expressed for the presentation
- c) In response to a question regarding the £247k and its relevance, with a total potential risk of £3,308,000, it was noted that the £274k was the error total because of the value of the former creditors compared with the current creditors.

In response to a question regarding the use of the CIPFA guide and thus the need to contact CIPFA to state that their guide was contradictory to the Act, it was noted that there would be an opportunity to highlight this during a meeting with CIPFA on 31-01-23

- ch) Yvonne Thomas (Audit Wales) was invited to present the 'ISA260' report. She explained that the auditors could never provide complete assurance that the accounts had been correctly stated, instead they worked to a level of 'materiality'. She noted that the auditors intended to issue an unqualified audit opinion on the accounts, once

the Letter of Representation had been signed. The Officers were thanked for their cooperation.

- d) The Finance Department was congratulated on the work, and the committee was satisfied that an unqualified statement had been received.

## **RESOLVED**

- **To accept and approve the 'ISA260' report by Audit Wales in respect of Cyngor Gwynedd**
- **To accept and approve the Statement of Accounts for 2021/22 (post-audit) – the Chair of the Committee to certify the Statement of Responsibilities regarding the Statement of Accounts**
- **The Chair of the Committee and the Head of Finance Department to certify the Letter of Representation electronically**
- **To congratulate the officers for their work of securing an unqualified statement**

## **6. REVENUE BUDGET 2022/23 – END OF NOVEMBER 2022 REVIEW**

- a) Submitted – the report of the Cabinet Member for Finance requesting that the committee scrutinises the position and relevant risks in respect of the Council's budgets and those of its departments, and considers the Cabinet's decisions of 24-01-23.

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

- Although the impact of Covid was not as significant in 2022/23 compared with the previous two years, added costs, income losses and a slippage on savings schemes remained in some fields.
- Current projections suggested that the Departments of Adults, Health and Well-being, Children and Families, Education, Economy and Community, Highways and Municipal and Housing and Property would overspend by the end of the year.
- A delay in realising savings was a factor

He added that the Finance officers merely reported on the situation, and that the Departments themselves were responsible for their budgets.

- b) The Assistant Head of Finance highlighted the following:
- The Adults, Health and Well-being Department would have an overspend of over £2.2 million this year, this being a combination of factors, including a failure to realise savings worth £930k.
  - The Education Department would have an overspend of £1.6m as a result of the additional cost of inflation on the salaries of teachers, assistants and administrative staff (which was £1,031k above the budget this year); and higher electricity rates. She added that given that the schools had already benefited from almost a million in energy savings stemming from Covid and the associated lockdowns, it would be appropriate to use school balances to fund the additional pressures this year.
  - Byw'n Iach – the repercussions of Covid continued in 2022/23 and impaired the company's ability to generate income. As a result, it was confirmed that the Council had approved necessary financial support to sustain services by extending the assurance period given to the Company until the end of 2022/23, which was around £839k this year. It was noted that higher electricity costs were responsible for the remainder of the Byw'n Iach overspend.

- Highways and Municipal Department – the yearly trend of overspend in the municipal field continued, with the most prominent problems in the waste collection and recycling field. The department was also facing difficulty realising savings valued at £608k.
- Housing and Property – the implications of legislative changes relating to Homelessness had led to significant financial pressures. Although an allocation of £1.5m from the Council's post-Covid arrangements fund was provided to assist the situation, a net overspend of £2.7 million was anticipated this year.
- Corporate – prudent projections when setting the 2022/23 budget and a change to legislation had contributed to additional tax outputs, with houses transferring from non-domestic rates to council tax, together with a reduction in the numbers claiming the council tax discount compared with previous years. The recent increase in interest rates meant that the interest receipt projection was £1.3 million more favourable than budgeted for.

The officer reported the intention to use the Council's reserves and School balances to fund the £7.4 million financial deficit projected for 2022/23. As a result, by using specific reserves, general balances were protected and available to help face the challenges of the future.

c) The officer was thanked for the report.

In response to a question regarding the post-Covid Recovery Fund, and whether it was a fund outside the Council's balances, it was confirmed that the Fund was an additional one that had been created in response to Covid challenges. He added that with the Government's recovery funding having ended, the Fund had been established in response to that.

In response to a comment in the report of 'using school balances to fund the additional pressures *this year*', if the impact here was 'greater than just this year' and that use of the balances was something annual, it was noted that schools' budgets had been set for 2023/24 and the salaries had been set at the 'increase' level for 22/23. As the increase had been introduced in October on the inflation level, the actual costs were seen to be higher which therefore created additional costs above the budget level.

In response to a question regarding the definition of "homelessness" and whether the additional costs were as a consequence of a real increase in homelessness or because the term "homelessness" had been redefined in response to the new legislation, it was noted that the number of homeless individuals had increased under the definition in the act. The result of this was the Council having to deal with more cases, and therefore having to find/provide accommodation for them. It was added that the situation was like a snowball effect – a shortage of accommodation which subsequently meant that homeless people were placed in temporary accommodation, which caused increasing effects on the Authorities.

In response to a question regarding the Chief Executive's intention to meet with the Head of the Highways and Municipal Department to discuss overspend in the 'waste' field, it was reported that the meeting, to which the Head of Environment Department had been invited, had been held. A report of the outcome of that meeting would be presented to the Cabinet soon. It was added that it was proposed to consult with WRAP to consider the collection route, collection arrangements and possible steps to manage the expenditure which was an annual concern. In response to a supplementary question regarding the report, it was noted that the report would be submitted to the Communities Scrutiny Committee which would give feedback from the comments and the actions.

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 Action Plan and keep local people in their communities, it was noted that the premium funding would be used as a one-off for homelessness and that this would not impact on implementing the Housing Plan. He added that the premium funding would certainly not be used for any other field and that it would not be for general use.

## **RESOLVED**

- 1. To accept the report and note the situation and relevant risks in the context of the budgets of the Council and its departments**
- 2. To agree with the Cabinet's recommendation (24-01-23) to approve:**
  - **The transfer of £3.188 million of underspend on Corporate budgets to the Council's Financial Strategy Reserve.**
  - **When timely, at the end of the financial year, use**
    - a) School Balances to fund the additional costs of inflation on the salaries of teachers, assistants, administrative staff and electricity that is above the budget level in the schools.**
    - b) The Council Tax Premium Fund to fund the additional pressure in the Homelessness field**
    - c) The Post-Covid Recovery Arrangements fund established to fund the associated financial challenges faced by the Council.**

## **7. CAPITAL PROGRAMME 2022/23 – END OF NOVEMBER 2022 REVIEW**

- a) Submitted – the report of the Cabinet Member for Finance. The main purpose of the report was to present the capital programme (position as at the end of November 2022) and ask the Committee to consider the relevant sources of funding, and scrutinise the Cabinet's decisions (24-01-23). The officer referred to a breakdown per Department of the £140.6 million capital programme for the 3 years from 2022/23 - 2024/25, as well as the sources that were available to fund the net increase which was approximately £4.3 million since the last review.
- b) The Assistant Head of Finance added that,
  - the Council had firm plans in place to invest around £53 million this year, with £20 million (namely 38%) of this funded through specific grants.
  - the impact of recent financial challenges remained on the capital programme, with 40% of the budget having been spent up to the end of November 2022 compared with 37% over the same period in 2021, 31% in 2020, and 51% in 2019/20 before the Covid disruption.
  - £28.7m of proposed expenditure had been re-profiled from 2022/23 to 2023/24 and 2024/25 with the main schemes including, £11.4 million for Housing Strategy Schemes, £5.5 million on Schools Schemes – Sustainable Learning Communities and Others, and £4.1 million for Vehicle Renewals.

Attention was drawn to the list of additional grants that the Council had managed to attract which included the Sustainable Learning Communities Grant – Ysgol Trefferthyr, the Additional Learning Needs (ALN) Capital Grant and a Welsh Government Grant towards Rural Schemes – Improving Access.

- c) The members gave thanks for the report and thanked the officers for finding additional grants.

## RESOLVED

- To accept the report
- To note the situation and the relevant risks in the context of the budgets of the Council and its departments
- To agree with the Cabinet's decisions (24-01-23)

### 8. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

- a) Submitted – the report of the Cabinet Member for Finance requesting that the Committee notes the position and relevant risks in respect of the Savings Overview, and considers the Cabinet's decisions (24-01-2023) and provides comments as required.
- b) The Assistant Head of Finance added that,
- Since 2015/16, £35.4m worth of savings had been approved to be realised between 2015/16 and 2022/23. She noted that over £33.5 million of these savings had now been realised, which was 95% of the required amount over the period.
  - The main schemes that were yet to be achieved were schemes in the Adults, Health and Well-being Department and the Highways and Municipal Department.
  - 22% of 2022/23 savings had already been realised and a further 2% were on track to be achieved on time. The departments with the highest value of schemes that were yet to be achieved were the Highways and Municipal Department and the Adults, Health and Well-being Department.
  - Savings to the value of £1.129m had already been approved for 2023/24 with additional savings schemes and cuts also under consideration
  - Realising savings amounting to £33.5m (out of £35.4 million) since April 2015 had been challenging, with a delay and risks to achieving some of the remaining schemes.

It was reported that the Cabinet had accepted all the recommendations and the information about progress in realising the 2022/23 savings schemes.

- c) Members gave thanks for the report. They noted the need to concentrate on the success – that 95% of the Savings had been realised – the tendency was to focus too much on those that had not been realised, which were perhaps more difficult to realise.

In response to a comment that some of the schemes were based on increasing costs / raising income rather than savings schemes and the effect this would have in respect of the costs of provision for residents which would perhaps have an effect on the service as a result, the officer noted that the Departments only introduced savings schemes, in response to a percentage that was set for them. Those schemes would be assessed by Members and if raising income was part of the scheme, then that would have received consideration. In response to a supplementary question about assessing the schemes, it was confirmed that legal, financial and equality assessments were carried out for each scheme.

In response to a comment that 95% was a very acceptable outcome, but that in future it would be difficult to identify savings together with the side-effect of potential cuts, a request was made for a report highlighting the strategy that lay behind the cuts / savings procedure of prioritising and setting targets. The Head of Finance Department noted that the Savings Strategy would be presented to the Committee at the meeting on 9 February. In that meeting, the proposals for cuts would be presented for comment

by the Committee, which would in turn be included in a report to the Cabinet (14-02-23), who would subsequently propose recommendations to the Full Council on 02-03-23.

The Cabinet Member added that Scrutiny Chairs and the Leaders of the Political Groups would receive a presentation on proposals for savings and cuts relating to 2023/24, and the Elected Members would be invited to a presentation by the Chief Executive.

## **RESOLVED**

- **To accept the report**
- **To note the progress, the position and the relevant risks in the context of the Savings Overview**

The meeting commenced at 10.00 and concluded at 11.15

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**CHAIR**