

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD AT TEAMS LIVE ON THURSDAY, 10 FEBRUARY 2022

County Councillors JG Morris (Chair), D R Jones, M J Jones, K Lewis, DW Meredith, WD Powell, D A Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam

In attendance: County Councillor J Pugh

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: James Chappelle, Capital and Financial Planning Accountant, Emma Palmer, Head of Transformation and Communications and Jane Thomas, Head of Finance

Other Officers In Attendance: Bethan Hopkins and Phil Pugh, Audit Wales, Ian Halstead, SWAP

1. APOLOGIES

Apologies for absence were received from County Councillors G Breeze and R G Thomas

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. AUDIT WALES - FINANCIAL SUSTAINABILITY
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Documents:

- Audit Wales – Financial Sustainability Assessment, Powys County Council
- Report of the Head of Finance

Discussion:

- The report covered the second phase of work across Wales into the financial sustainability of local authorities. The Committee had previously considered the report into phase one which included a national report and an individual report.
- Work was undertaken between February and April 2021
- Key findings:
 - The medium-term budget gap needs to be addressed. Focus was on the forthcoming year with less detail provided for future years
 - Capital Strategy – the Committee had raised this issue themselves. The capital programme was ambitious and there was a need to ensure it was affordable. Further detail was required regarding the forecast and timing of capital receipts and the impact of the capital financing requirement on future revenue budgets.
 - Budget Planning Processes – the Authority had been on target and balanced their budget, but it was not clear if this was due to sound financial practices or additional funding provided by the Welsh

Government during the pandemic. There is a need to ensure there is effective monitoring of budget planning processes.

- The Head of Finance reported the requirement to comply with the Financial Management Code. An assessment against the Code had been completed some years ago with the Authority score being relatively low. An Action Plan had been prepared and was in place and progress made against that Plan – 62% of actions showing a green RAG status and the remaining 38% being amber. There were no red actions. It is proposed to have a workshop with the Committee to go through the detail of the assessment and consider any outstanding actions. Governance and Audit Committee should monitor delivery of the Plan. The recommendations within the Audit Wales report are contained within the Plan.
- The budget gap is highlighted within the budget proposals and must be addressed over the medium term. Once the budget for 2022/223 is approved, work to address the budget gap will become the key focus.
- Integrated Business Planning is becoming embedded, and it will be that process which will bring the budget together. The Head of Finance is satisfied that the budget process is more robust.
- The Committee asked Audit Wales to comment on the Council's response and whether it was adequate. Audit Wales accepted the response and will continue to monitor to ensure actions have an impact.
- The Portfolio Holder welcomed the report and noted that the Finance Team were always open to suggestions for improvement. He noted that a three-year indicative budget settlement from the Welsh Government had been given which would assist in the process of addressing the budget gap. He was keen to see continuous improvement.
- The Chair was pleased to note that the issues raised corresponded with those raised by the Committee during the year.
- Audit Wales reported that there was a Financial Sustainability Tool on their website which would enable Members to view comparable data across Wales including the net cost of services, reserves etc. This will be continually developed.

Outcomes:

- **The report to be forwarded to Scrutiny Chairs for information**
- **A workshop will be arranged to consider a self-assessment and action plan**
- **The Audit Wales report be accepted**

4. AUDIT WALES - WORK PLAN UPDATE
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Documents:

- Audit Wales Work Programme and Timetable

Discussion:

- Accounts work and grant certification work has been completed and performance work published
- The Annual Audit summary has recently been published and will be considered by a future Committee
- The review into scrutiny arrangements was published in October
- Work on the Springing Forward review is ongoing

- Corporate Safeguarding work will take place during April and May
- General assurance work will continue throughout the year

Outcome:

- **The Work Programme was noted**

5.	21ST CENTURY SCHOOL PROGRAMME GATEWAY REVIEW FINDINGS
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Documents:

- Report of the Portfolio Holder for Education
- OCG Gateway Review – Strategic Assessment

Discussion:

- The Senior Reporting Officer was the Chief Executive and she had accepted all recommendations made
- The review was in the top 10 of reviews across Wales
- Despite the positive outcome, there was always room for further improvement
- There was high confidence regarding deliverability of the 21 Century Schools Programme
- Governance continued to evolve
- Opportunities to map responsibilities for project management were available
- Options for match funding and the cost of doing nothing would be available for confidential discussion with Members. There was a need to understand value for money during transformation.
- An exercise to produce mapping detailing accountabilities and responsibilities will commence in March 2022
- The Portfolio stage was equivalent to the Authority's Vision 2025 with the Programme stage equating to the transformation programme. The Project will determine how the Programme will be achieved. It is intended to work closely with the new Cabinet after the election to drive the process forward.
- The Road Map will need to be developed and will have to align with the MTFS and Capital Strategy
- The Asset Review was also key as progress would not be solely dependent on borrowing. Further consideration will be given to the Mutual Investment Model (MIM).
- The Chair congratulated officers on the work undertaken and welcomed the positive outcome of the review. He suggested that the document be sent to the Learning and Skills Committee for information. He asked for clarity on the time frame that Welsh Government support would continue. 'Sustainable Communities for Learning was a Welsh Government initiative to take the programme further. The Authority would have to spend 80% of allocated funds before applying for further funding.
- The Vice Chair questioned whether completing the Road Map in March 2022 was feasible given the detail that would be needed. There were a number of uncertainties and variables but the basis from which to build could be achieved. The Programme Board will monitor progress on a monthly basis.

- The issue of flexibility was raised and whether the programme was future proofed to move to a mixed economy. The Head of Transformation indicated that flexibility and adaptability were achievable. Approval from the Welsh Government would be required but both parties worked well together. It was not assumed that there would be new build for all proposals – value for money would be key. Further work had been commissioned to provide clarity between net zero and passivhaus projects.
- The Asset Review was key and was long awaited

Outcomes:

- **The report was noted and that the recommendations contained within the review would be progressed over the coming year**

6. SWAP - INTERNAL AUDIT ACTIVITY Q3

Documents:

- SWAP Internal Audit Activity Progress Report 2021/22 – Quarter 3

Discussion:

- Two significant pieces of work have been considered by the Governance and Audit Committee at recent meetings – Ysgol Calon Cymru and Covid Business Grants
- 37 audits have been delivered, 12 are in progress and 4 are scheduled to start
- The work programme is aligned to the Council's risk areas – if risk areas change then the work programme will adapt accordingly
- Fraud risk and ICT risk will be considered at the next meeting of the Committee
- Very few actions are outstanding and all recommendations have been accepted
- A new school audit programme is being piloted and this is already showing positive results
- The Authority is on track for a reasonable Audit Opinion to be given
- There had been some delay in the review into Conflicts of Interest – it was considered that this was a more complicated area than first thought and Members requested additional training in this area
- SWAP were asked to review the Council's insurance arrangements to ensure they were fit for purpose. The Assistant Director agreed to discuss this with the Head of Finance, EMT and the Vice Chair.

Outcomes:

- **A review of the Councils' insurance arrangements would be considered in consultation with EMT, the Head of Finance and the Vice Chair**

7. TREASURY MANAGEMENT

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The bank rate had increased in December and again recently
- The capital programme had reduced due to delays and borrowing was shrinking
- The Capital Financing Requirement was slightly different than that in the Treasury Management Strategy as it was assumed only 70% would be required – the Strategy itself reflected a more prudent approach
- Long term borrowing had been taken out at an opportune time as significant borrowing would be required in the forthcoming year.
- It had been discovered that a significant amount of VAT had not been claimed but this issue has been addressed to ensure this does not recur and the amount has been reclaimed.
- No further borrowing was anticipated before the year end. There was sufficient cash to cover any uncertainty.
- The position was stable, but inflation was expected to rise in forthcoming months

Outcomes:

- **The report was noted**

8.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Finance

Discussion:

- Preliminary work is being undertaken where possible
- Although the deadlines stated of 31 May for unaudited accounts and published accounts by 31 July remain in place, there were ongoing discussions between Audit Wales and the Welsh Government and It was likely that these dates would be extended. The Authority is looking to complete closure as soon as possible but Audit Wales have other pressures which may delay the audit.

Outcomes:

- **The report was noted**

9.	CAPITAL WORKSTREAMS WORKING GROUP
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Documents:

- Report of the Capital Workstreams Working Group

Discussion:

- The Lead Member summarised the findings of the Group
- The Working Group had been commissioned following concern that the level of debt servicing costs was increasing

- The CFR outturn was lower than forecast due to a number of project delays rather than a reduction in the capital programme. No further projects had been approved in the current year.
- The Asset Review remains essential and needs to be completed as soon as possible
- Financing costs are lower and affordable in the short term
- Future Governance and Audit Committee and Finance Panel meetings will need to monitor the trajectory carefully
- The Group proposed that a warning limit of 6% of future revenue costs be adopted
- The Head of Finance reported that comparable data was difficult to judge as different authorities were on different stages of the journey and levels of historic investment were not known.
- She would not wish to see an arbitrary warning limit set but noted the need to constantly monitor demand, pressures and settlements and to consider all aspects
- It was noted that the cost of doing nothing was not currently reflected in the Capital Programme

Outcomes:

- **The report was welcomed**
- **The Working Group should proceed with its work following the election**

10.	ANNUAL REPORT
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The Chair informed the Committee that he intended to produce an Annual Report to inform the next Governance and Audit Committee. As this was likely to be the last formal meeting of the Committee it was proposed to circulate the draft by email for Members' comments

The Head of Transformation informed the Committee of the need for it and the three scrutiny committees to complete a self-assessment to feed into the Corporate Self-Assessment to be published in July 2022. This corporate evaluation will integrate the Annual Governance Statement, Corporate Improvement Plan and Equality Objectives.

11.	WORK PROGRAMME
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Documents:

- Forward Work Programme

Outcomes:

- **The forward work programme was noted**

The Chair paid tribute to all officers for their support during challenging times. He also recognised the work of SWAP and Audit Wales in supporting the Committee. In particular he paid tribute to Mr John Brautigam, the Lay Member for the last 10 years and the invaluable work he had contributed.

Interviews have taken place and three new Lay Members have been appointed subject to references and Council approval. One of the three Lay Members will chair the Committee in the next term.

The Portfolio Holder for Finance thanked the Chair for his work and also paid tribute to the Lay Member.

12. ACCESS TO INFORMATION

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

13. COUNTY COUNCIL DEBT

Documents:

- Report of the Head of Finance

Discussion:

- The Head of Finance summarised her report and outlined the process for dealing with debt across the Council

Outcomes:

- **The report was noted**

County Councillor JG Morris (Chair)