

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD AT HYBRID MEETING - ZOOM - COUNTY HALL ON FRIDAY, 24 NOVEMBER 2023

PRESENT

Lay Member, L Hamilton - Chair

Lay Members:

J Brautigam and G Hall

County Councillors:

P Lewington, WD Powell, G W Ratcliffe, C Walsh, A Williams

Cabinet Portfolio Holders in attendance:

J Berriman, D A Thomas and P Roberts

Officers:

Dan Paley (Financial Reporting and Policy Accountant), Ellen Sullivan (Interim Head of Economy and Digital Services), Georgie Bevan (Head of Education), Gwilym Davies (Head of Property, Planning and Public Protection), James Chapelle (Capital and Financial Planning Accountant), James Langridge-Thomas (Deputy-Head of Transformation and Communication), Jane Thomas (Head of Finance and Section 151 Officer), Lynette Lovell (Director of Education and Children), Mari Thomas (Deputy-Head of Finance), Matt Perry (Interim Director of Environment), Nina Davies (Director of Social Services and Housing), Sarah Quibell (Service Manager for Education Support Services) and Tom Yeo (Programme Delivery Manager – Climate and Nature).

In attendance:

County Councillors A Davies (Chair of Finance Panel) and G Thomas (Chair of Learning and Skills Scrutiny Committee), Ian Halstead (Assistant Director – Powys, SWAP), Emma Woodcock (Audit Manager – Financial Audit, Audit Wales), Derwyn Owen (Audit Director – Financial Audit, Audit Wales), Bethan Hopkins (Audit Lead Performance Audit, Audit Wales), Bethan Roberts (Audit Lead - Powys, Audit Wales), Richard Jenkins (Headteacher, Brecon High School), Rhiannon Evans (Chair of Governing Body, Brecon High School) and Ann-Marie Lloyd (Business Manager, Brecon High School).

1. APOLOGIES

Apologies for absence were received from County Councillors Graham Breeze, Liz Rijnenberg and Jackie Charlton (Cabinet Member for a Greener Powys), Catherine James (Head of Transformation and Democratic Services), Craig Flynn (Deputy-Head of Finance), Gareth Lewis (Audit Wales) and Bets Ingram (Strategic Equalities and Risk Officer).

2. DISCLOSURES OF INTEREST

There were no disclosures of interest received.

3. MINUTES AND ACTION LOG

Documents Considered:

- Draft minutes of the Governance and Audit Committee meeting held on 29th September 2023.

Background:

- Lay Member John Brautigam proposed a motion to authorise the Chair to sign the draft minutes as an accurate record, which was seconded by County Councillor P Lewington.

RESOLVED to authorise the Chair to sign the minutes of the Governance and Audit Committee meeting held 29th September 2023 as an accurate record.

Documents Considered:

- Governance and Audit Committee - Action Log

Background:

- The Governance and Audit Committee Action Tracker was reviewed by Committee Members. Updates received from officers and other attendees would be added to the Committee's action tracker, to be reviewed by Members periodically at future meetings.

4. QUARTER 2 WORK PROGRAMME UPDATE

Documents Considered:

- Audit Wales Work Programme and Timetable, as of 30 September 2023 (Quarter 2).

Background:

- The Quarter 2 Work Programme was provided by Audit Wales and listed the ongoing and published audit work in respect of Powys County Council. The Audit Lead (Performance) provided Members with an update on performance work and noted that it was mostly complete. Attention was drawn to the Springing Forward Asset Management audit report which was considered later in the meeting.
- A thematic piece of work around performance information had been issued as a draft report, which would be published once the clearance process was completed. The Digital Review report had been issued and was scheduled onto the Committee's Forward Work Programme for January 2024. Scoping work was underway for audits planned for 2024 including future thematic work. The Performance Audit Lead noted that work was progressing well in terms of performance audit.
- The Audit Manager (Finance) noted that deadlines had been met to publish the Statement of Accounts and Pension Fund Accounts. The Audit

of the Council's 2022-23 Grants and Returns was ongoing and on-track to be completed according to the agreed timescales.

- The Quarter 2 Work Programme also listed the status of other local government and national work such as Estyn and Care Inspectorate Wales (CIW).

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
What would the proposed national report (page 15) 'The senior public service' entail?	The details of the proposed report needed to be clarified before providing a full response. ACTION
In respect of the planned Good Practice Event for Spring 2024: Audit Committees 'What does good look like?', could details be provided for this and would the Committee Membership be engaged on this?	The Audit Lead (Performance) was to confirm the engagement details. ACTION It was noted that Audit Wales' Research and Development Team were looking at how Governance and Audit Committees operated and whether any good practices had been identified. An event was planned rather than a traditional report output.

Actions:

- Audit Wales to provide scoping details of 'The senior public service' audit report.
- Audit Wales to confirm engagement details in respect of the Good Practice Event planned for Spring 2024.

Observations and Recommendations:

- The Chair thanked Audit Wales for providing the work programme update and would await further details in respect of the two actions.

5.	STATEMENT OF ACCOUNTS 2022-23
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Documents Considered:

- Statement of Accounts 2022/23
- Audit of Accounts Report (ISA 260)
- Letter of Representation

Background:

- The Financial Reporting and Policy Accountant provided a presentation for Committee Members, to highlight the adjustments made to the

Statement of Accounts and Letter of Representation following comments received from Committee Members at the private accounts seminar.

- The draft Statement of Accounts was signed by the Section 151 Officer on 30th June 2023, which were then forwarded to Audit Wales. The deadline for providing the draft accounts was 31st May, with the publication deadline being 31st July 2023. Welsh Government allowed revised deadlines provided that the reasoning for the delay was published, which the Council did by providing the reasoning on the website.
- The draft Statement of Accounts were reviewed by the Governance and Audit Committee at a previous seminar meeting held in July.
- The accounts had been available for public inspection between 27th September and 25th October.
- Governance and Audit Committee had reviewed the audited accounts at a private seminar, in advance of the public meeting when both the Statement of Accounts and Pension Fund Accounts would be presented for approval.
- The Head of Finance (Section 151 Officer) noted that the Council was entering a challenging environment for public sector finance, strengthening resilience was therefore paramount.

Key messages and adjustments made to the Statement of Accounts

- Net assets and reserves had increased by £309 million from the previous year, the main driver being the reduction in the liability to the defined pension benefit due to the discount rate of two percent (further details were contained within Note 38).
- Movement within Property, Plant and Equipment (itemised within Note 12).
- Debtors and Creditors balances had decreased (Notes 16 and 18) due to the large volume of individual grant funding in areas such as Covid and the cost of living in financial year 2021/22, which showed as balances in the previous year.
- Short-term investments decreased by £15.6 million, as a result of the Council repaying the repayable loan to Welsh Government regarding the Global Centre for Rail Excellence (GCRE) (Note 15).
- Long-term borrowing decreased due to early redemption of some LOBO loans which totalled £17 million (Note 15).
- £309 million - Reserve Movements increases:
 - £302 million of the £309 million movement were attributed to unusable reserves. (Note 21)
 - £261 million related to the Pension Fund reserve, mainly due to the discount rate increasing the revaluation reserve by £23 million. The Capital Adjustment Account increased £20 million.
 - £7 million attributed to usable reserves (Movement in Reserves Statement):
 - £4 million Specific Reserve increase (£3 million funding for Pay Award) (Note 8).
 - £3 million Capital Receipts reserve (Note 20).

- The makeup of the £4 million specific reserve increase across service areas reported by the Council was seen in the Expenditure and Funding analysis.
 - It was noted that an adjustment had been made since the initial publication of the audited draft Statement of Accounts relating to the final three columns (opening balance for the specific reserves), which were the Housing Revenue Account and General Fund reserves which should be bracketed.
- Out-turn position (Narrative Report) was reconciled to the deficit on provision of services (CIES) in Note 22.

Audit of Accounts Report

- Audit Wales intended to issue an unqualified opinion in relation to the Statement of Accounts.
- Appendix 3 listed the misstatements which Audit Wales had asked the Council to correct. The Financial Reporting and Policy Accountant confirmed that all misstatements had been amended.
 - £12.787 million – Indices applied to Council Dwellings to reflect increased inflationary costs. The Council was already aware of this misstatement due to the indices not being available from the valuers previously.
 - £3.834 million – Capital commitments were shown on the ledger at year end. This had been reduced to show amounts of goods receipted prior to year end, thus were reflected in the 2022/23 accounts.
 - £1.096 million – Expenditure corrected to enhancing rather than non-enhancing. This related to the 3G pitch at Llanfyllin Leisure Centre.
 - £0.87 million – A Council Dwelling required a category change from Assets under Construction to Council Dwellings.
 - Changes to senior officers' emoluments.
 - Additional disclosures added to the related party note.
 - Additional narrative concerning Reinforced Autoclaved Aerated Concrete (RAAC) – some outstanding properties which needed to be surveyed to rule out the presence of RAAC.
 - adjustments to the date concerning the assets and liabilities provided for the IAS19 disclosure.
 - Narrative, presentational and minor amendments.
- The Head of Finance noted the Council was entering a challenging time for public sector finance so the Council focused on initiatives to strengthen financial resilience by increasing reserves where possible. Reserves were relatively low when compared to other local authorities across Wales. There were specific challenges and pressures around meeting nationally-agreed pay awards, in addition to inflation, which impacted the Council's accounts. Funds from the previous financial year were set aside to help meet the financial pressures which were expected for the current financial year.
- The Head of Finance also noted with regard to Capital Receipts, that any underspends were ringfenced to support the future capital programme.

This was significant due to the cost of borrowing and the subsequent impact on the revenue accounts.

- The Audit Director (Finance) reminded the Committee that auditors could never give absolute assurance in terms of the accuracy of the accounts, due to the concept of materiality in line with industry standards. The materiality calculation for financial year 2022/23 provided a figure of around £5.5 million.
- Paragraph six within the Audit of Accounts Report set out matters outstanding at the time of drafting the report. The matters had now been concluded with no additional items of concern identified thus Audit Wales proposed an unqualified opinion for the Statement of Accounts, and that they showed a true and fair view of the Council's transactions for the year, and the balances and liabilities at year end. The Audit Director noted that they were a good set of accounts and thanked officers for their cooperation.
- It was noted that there was one recommendation which had already been mentioned, in relation to improving the procedures around capital expenditure, and the identification of non-enhancing expenditure.
- Provided that the Letter of Representation was signed and received, the Auditor General was due to sign the accounts.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Following on from looking at the trends in the current assets and liabilities ratio, it could be viewed as slightly adverse, did the Head of Finance want to comment on liquidity?</p>	<p>The Head of Finance noted that the Council was in an under-borrowed position, so funds could be available to draw upon if needed which provided some liquidity.</p> <p>As part of the Council's financial resilience planning, work had been completed regarding liquidity by calculating standard ratios, to compare where the Council was at in terms of liquidity. This work could be shared with the Committee. ACTION</p> <p>The current ratio was slightly under due to the Council's liabilities compared to assets, which showed the importance of monitoring council tax collection rates and close monitoring on the cash flow. The Head of Finance was therefore reasonably comfortable with liquidity at present.</p> <p>The Capital and Financial Planning Accountant added that the Council had been taking out significant amounts of</p>

	<p>short-term borrowing whilst rates were high which would impact current liabilities. Borrowing over one year compared to the usual 40, 50 or 60-year terms, which hindered or increased the current liability figure which explained the current ratio.</p> <p>As rates fell it was expected that refinancing with longer-term borrowing would impact on long-term liabilities rather than the current liabilities and subsequent ratio.</p>
<p>Page 10 of the report referenced the completion of 68 new dwellings. In terms of the medium-term financial planning of capital spending, had there been consideration regarding the issue of phosphate directives preventing development, and the knock-on effect on social housing availability?</p> <p>Was there provision for the risk of loss in Social Housing Grant from Welsh Government, which was often linked to delivery?</p>	<p>The Head of Finance explained that the Council's housing programme had been affected due to phosphate issues. The aim was now for the Council to purchase existing homes, particularly those already located within existing council housing estates, to use for social housing where new development was not currently possible.</p> <p>Property purchases were subject to a business case and consideration was given with regard to the level of housing support grants available to support the purchases. Housing stock was ring-fenced within the Housing Revenue Account (HRA), therefore it did not necessarily impact on the Council's position.</p> <p>There were various financial considerations and obligations which impacted the monitoring of the HRA to meet the Welsh Housing Quality Standard (WHQS) (social housing standards in Wales). Other issues included increased cost of borrowing and construction costs and associated costs. These issues had been considered as part of the HRA Business Plan as these financial constraints may impact on the Council's future social housing aspirations.</p>
<p>Were Planning Officers (within Powys County Council and Bannau Brycheiniog National Park Authority) aware of the fragile capital situation,</p>	<p>The Head of Finance responded by confirming that the Senior Leadership Team collectively focus on all financial matters, which included routine</p>

<p>for use as part of the wider context when considering planning applications?</p>	<p>meetings to ensure Senior Officers were kept abreast of the issues and to respond appropriately.</p>
<p>There did not appear to be direct correlations identified within the accounts narrative around value for money spent against performance. The narrative notes high level performance against the Corporate and Strategic Equality Plan objectives, but did not provide the deeper granularity.</p> <p>The Council's business planning should relate to the outputs achieved according to the allocated budget. What did the Council expect it could achieve, how were funds allocated accordingly, and where performance and lessons learnt indicated any issues, how could that link back to the accounts to ensure a circular process?</p>	<p>The Head of Finance noted it was important to understand what the Council had set out to achieve at the outset, what that would likely cost against how the Council actually performed.</p> <p>Such a wide scope could not be contained within the Statement of Accounts and even the quarterly monitoring reports which review whether the Council was on budget. These processes do not provide full assurance as to whether the Council had achieved its objectives. The size of the organisation was noted as a reason for the difficulty in bringing the knowledge together into one place.</p> <p>The Head of Finance reported that there was a desire to improve the linkages between performance and finance by better utilising data. It was also suggested that the scrutiny committees also had an important role in scrutinising finance and performance, and would be well placed to undertake in-depth reviews, supported by robust information.</p> <p>RESOLVED to add to the Committee's forward work programme with a deadline:</p> <ul style="list-style-type: none"> • Review the Council's business planning process with regard to linking performance and finance (and how this related to Sustainable Powys). To undertake early engagement to seek assurance of the Council's financial reporting, before the next Statement of Accounts was prepared. ACTION.
<p>Were the Statement of Accounts available for public engagement?</p>	<p>The Council were required to make the accounts available for a four-week period, which enabled members of the</p>

<p>How could the Committee and Council engage better with the public, including how to ensure the public realise their role in scrutinising the Statement of Accounts.</p>	<p>public to inspect them if they wished. No member of the public attended Council offices to review the Statement of Accounts.</p> <p>The auditor would also be available at a later date if there were any follow-up questions. The Council also issued communications two weeks prior to give notice to the public.</p> <p>It was noted that due to the financial challenges ahead of the Council, there was an element of public ownership within the overall agenda. It was therefore important to consider how the Council engaged the public and the role of the Governance and Audit Committee in making the accounting process more transparent and open as possible.</p>
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Provided that Committee Members were assured by the responses received, the Chair asked for a proposer and seconder in order to move to vote on the recommendation as set out in the report of the Cabinet Member for Finance and Corporate Transformation. Proposed by Lay Member J Brautigam and seconded by Lay Member G Hall, the Governance and Audit Committee:

RESOLVED to approve the Statement of Accounts for 2022/23 and authorised the Chair and Head of Finance (Section 151 Officer) to sign the Accounts and Letter of Representation.

Actions:

- Head of Finance to share the financial resilience work in relation to liquidity with Committee Members.

Observations and Recommendations:

- Committee Members voted unanimously to approve the recommendation set out in the report of the Cabinet Member for Finance and Corporate Transformation.
- The Chair noted the good work involved in producing the Statement of Accounts and thanked Audit Wales and officers for their input.

6.	PENSION FUND ACCOUNTS 2022-23
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Documents Considered:

- Pension Fund Accounts 2022/23
- Audit of Accounts Report (ISA260)

- Letter of Representation

Background:

- The reporting timeline of the Pension Fund Accounts was set out in the Pension Fund Accounts which would be considered and approved by the Pension and Investment Committee at a later date, with a publication deadline of 1st December 2023.
- Net assets had decreased by £38 million from the previous year, the main driver for this was the change in market value of the investments.
- Movements between assets during the year as the asset allocation changed. This impacted the analysis of investments and contributed to movements in fee levels for the categories as these were based on percentages of assets under management in the main.
- Contributions receivable for the main employer (Powys County Council) were collected through the Council's payroll. Outside bodies sent returns and income on a monthly basis.
- Payments were calculated by the Pension's administration department within the Council.
- Pensions and Investment Committee received valuations of the Fund as part of their quarterly meetings.
 - The Committee received the draft Pension Fund report on 6th October 2023.

Audit of Accounts Report

- The materiality level was set at £7.803 million.
- Although Audit Wales intended to issue an unqualified opinion, there was an uncorrected misstatement relating to private equity valuations (£1.463 million) after receiving additional reports after 30th June 2023.
- It was decided not to adjust the misstatement due to the valuation received at 30th June 2023 being below the materiality level. If the misstatement was adjusted there would be adjustments flowing through the accounts which would delay the audit and publication process. It was noted that if the misstatement was greater than materiality, then the adjustment would have been made.
 - Narrative was included within Note 3: Critical Judgments in Applying Accounting Policies which stated the subjective nature of the fair value of private equity investments.
- Appendix 3 Adjustments:
 - AVC valuations not available on 30th June 2023 had been included in the amended version.
 - Narrative, presentational and minor amendments.
- Minor amendments and adjustments were made, regarding AVC valuations which had now been included in the amended version of the Pension Fund Accounts.
- The Audit Manager (Finance) reported that the uncorrected statement was highlighted as it was above a trivial level (reportable) although it was well below the materiality level. Audit Wales was therefore of the opinion that it should be brought to the attention of the Committee, however it did not

give an untrue view of the accounts and would not affect a person's opinion when reading the accounts.

- The Audit Manager (Finance) reported that of the two corrected statements, one was as a result of information being received after the draft accounts had been prepared with the other corrected statements being minor amendments.
- It was reiterated that similarly to the Council's Statement of Accounts, the Pension Fund Accounts were a good set of accounts.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Did the Council need to address the uncorrected misstatement?</p>	<p>Although the misstatement had not been corrected, as it was less than the level of materiality, it would not render the accounts untrue.</p> <p>The Head of Finance welcomed the comments and noted that the accounts had improved over the years, although noted that the comments of Audit Wales with respect to the uncorrected misstatement would be reflected upon.</p> <p>Particularly with pension valuations, such values are a snapshot in time and provided that the value was below the level of materiality, the Council was comfortable in its position on the accounts.</p> <p>The Audit Director (Finance) added that the figure provided in the draft accounts was a best estimate, and due to being less than the level of materiality it was not a concern for Audit Wales.</p>
<p>There were 156 early-retirements listed in the Pension Fund Accounts, were these due to any particular reason?</p>	<p>The Head of Finance explained that although it was a personal choice when to retire, there had been an increase in the number of applications for early-retirement following the Covid pandemic. The trend was likely seen elsewhere, although it was worth monitoring into the future.</p>

Provided that Committee Members were assured by the responses received, the Chair asked for a proposer and seconder in order to move to vote on the

recommendation as set out in the report of the Cabinet Member for Finance and Corporate Transformation. Proposed by Lay Member J Brautigam and seconded by County Councillor W Powell, the Governance and Audit Committee:

RESOLVED to approve the Pension Fund Accounts for 2022/23 and authorised the Chair and Head of Finance (Section 151 Officer) to sign the Accounts and Letter of Representation.

Observations and Recommendations:

- The Chair thanked Audit Wales for their professionalism whilst undertaking the audit of the Statement of Accounts and Pension Fund Accounts, and the Head of Finance and officers within the finance team who compiled and coordinated the reports.
- Committee Members voted unanimously to approve the recommendation set out in the report of the Cabinet Member for Finance and Corporate Transformation.

7. ANNUAL GOVERNANCE STATEMENT ASSURANCE

Documents Considered:

- Annual Governance Statement 2022/23.

Background:

- The finalised Annual Governance Statement for 2022/23 was presented to Committee Members to seek their approval.
- The Council had identified its overall assurance level to be Reasonable, meaning that the Council was able to offer Reasonable Assurance that its arrangements adequately reflect the principles of good governance as indicated in the CIPFA Good Governance Framework; generally, risks were well managed but some processes could be improved.
- Considering the specific principles which underpin this process, the Council believed it offered a fair and balanced reflection with a mix of Substantial and Reasonable Assurance levels throughout, with a range of supporting evidence to help inform the judgements, and identify areas for improvement.
- The Council was assured that the areas for improvement (for 2022/23) informed the Integrated Business Planning process and the wider Annual Governance Statement process for 2023/24.
- The Chair explained that the Governance and Audit Committee had reviewed and challenged the assurance levels set by the Council and the accompanying evidence in detail at previous meetings and seminars.

Proposed by Lay Member J Brautigam and seconded by County Councillor A Williams, the Governance and Audit Committee:

RESOLVED to approve the Annual Governance Statement 2022/23.

Observations and Recommendations:

- Governance and Audit Committee approved the recommendation set out in the report of the Leader and Cabinet Member for an Open and Transparent Powys.
- The Chair thanked the Head of Transformation and Democratic Services and Deputy-Head of Transformation and Communications for their work in producing the Annual Governance Statement.

8. TREASURY MANAGEMENT - QUARTERS 1 AND 2

Documents Considered:

- Quarters 1 and 2 Treasury Management Reports (2023/24).

Background:

The Capital and Financial Planning Accountant provided an overview of the reports of the Cabinet Member for Finance and Corporate Transformation.

Investments:

- Interest received rose from £160,000 in Quarter 1 to over £500,000 in Quarter 2 and was held as surplus for cashflow purposes in deposit accounts. It was reported that there had been some short-term lending to other local authorities.

Capital Programme:

- The capital programme had increased from £93 million in Quarter 1 to £96 million in Quarter 2. The increase was mostly due to extra grants being awarded in year.
- Despite the increase, there had been a drop in borrowing which had fallen from 48% to 42%, the borrowing level was expected to drop further towards the end of the year when schemes were reprofiled.
- Capital Financing Requirement (CFR) projections had fallen in-line with the reduced borrowing requirements.

Borrowing/Re-scheduling:

- Public Works Loan Board (PWLB) rates (borrowing rates based on the Gilts markets) remained higher than they were at the beginning of the year, although some terms were now lower than the peak.

Debt Maturity:

- £5 million in borrowing from other local authorities was repaid in Quarter 1, a further £8.5 million was repaid during Quarter 2. £17.4 million was repaid to Welsh Government in respect of GCRE.
- A further £25 million borrowing was due to be repaid in Quarter 3, to cover this, £20 million borrowing was arranged from other local authorities. £5 million was received in September, and £15 million was planned to be received in October.

Financing Costs to Net Revenue Stream:

- Estimates showed an improved position this year, however there was still a peak predicted next year as borrowing rates remained high, therefore short-term borrowing was preferred to avoid locking-in to higher rates.

Economic Background and Forecasts:

- The Council’s treasury adviser Link Group had provided their forecasts which was included in the reports.

Sundry Debt:

- Increased in Quarter 1 up to £17 million, which then dropped to just under £15 million in Quarter 2. Further breakdown and summary were available within the report.

Council Tax and National Non-Domestic Rates (NNDR):

- Council tax collection was very slightly down (0.22%) at the same point in the previous year, NNDR was 3.84% up from the same point last year.
- Economic forecasts from Link Group were available in the appendices, VAT KPIs had also been attached.
- For Quarter 1, £14,000 VAT had been recharged to services due to not being claimed correctly. This had increased to just under £70,000 in Quarter 2 although there was potential to recover £63,000, provided that the correct documents were obtained.
- The report also contained a breakdown in charges per service and type.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The Sundry Debts section of the report (Quarter 2) showed that total aged debt was now at just under £15 million. The trend was also generally upward, what was the Council planning to do about this?</p>	<p>The Head of Finance reported that it was mentioned at a previous meeting that due to the level of debt associated with Adult Social Services, Cabinet had asked for a deep dive report on this topic. The report was being considered by Senior Officers in advance of the Cabinet considering the report, it should then be available to share with the Governance and Audit Committee.</p> <p>ACTION</p> <p>The debt recovery team had now been given additional officer capacity and these issues were being raised more widely across the Senior Leadership Team, as each service had some responsibility in terms of managing debt.</p> <p>Longer-term debt had fallen although there were peaks and troughs where more/greater value bills had been issued at certain points through the year. Aged debt was being monitored carefully and benefits should soon be realised due to the additional staffing</p>

	resources put in place.
Had the Council provisioned any write-offs? Were there any anticipated issues towards the end of the year?	The Head of Finance confirmed that the Council had done so previously, however it was not anticipated at present.
<p>Paragraph 3.44 mentioned two-thirds of over three-month debt was attributed to Adult Social Care, a previous report indicated that the Council had the comfort that this was covered by charges on peoples' property but relied on estates being realised.</p> <p>The charges did not appear included within the balance sheet, however it would give some cover to the Council that the debts would eventually be covered and not written off.</p>	<p>The Head of Finance reported that the Council was to consider this as next year's budget plan approached. It was noted that a careful balance had to be struck due to the delay in receiving the payments, and the Council would not want to recognise a substantial amount of income in its accounts when it was known that the payments would not be received for some time.</p> <p>Further consideration was required as to how the charges could be shown on the balance sheet, there was a record but it was held outside of the accounts at present.</p>
Was there anymore that could be done to avoid issues with purchase cards?	<p>The Head of Finance responded that there had been a focus over the previous few months with Heads of Service to reiterate their responsibilities in monitoring every item and pound spent. There should be confidence in that process, so the finance team had prepared reports for each service so that senior officers could view their service's transactions with more details that were previously unavailable.</p> <p>There had been particular focus with schools which had been highlighted with governing bodies, as certain schools had high purchase card error rates due to not providing invoices. This element was also considered during internal audits of individual schools.</p>
Had the outstanding debt impacted on setting the council tax precept?	<p>When considering the level of council tax increase, the whole financial position of the Council was considered. Once set, the rate would not adjust within the year.</p> <p>Debt management was a key concern</p>

in terms of financial management, which did impact on the overall financial position, so it was integrated but there was not a specific link between aged debt and the council tax rate. There was an assumed level of collection set, however the Council had relatively good collection rates.

Actions:

- To add to the Forward Work Programme:
 - Review of the Cabinet deep dive report into Adult Social Services.

Observations and Recommendations:

- Committee Members noted the reports for information.

9. SWAP INTERNAL AUDIT ADVERSE REPORTS

Documents Considered:

- SWAP Thematic Report – Governance
- SWAP Thematic Report – Finance
- Brecon High School Internal Audit Report (360 degree Control Assessment)

Background:

- The SWAP Assistant Director provided a presentation to Committee Members regarding the two school thematic reports (governance and finance).
- The 360 degree Control Assessment was based upon the Three Lines Model, which focused on three layers of assurance: management (the governing body and headteacher), experts who support (risk/performance management) and internal/independent audit.

SWAP Thematic Report – Governance:

- SWAP sent several questionnaires to schools, including governors, experts and auditors. The responses were collated and analysed, and any conflicts and non-compliances were then identified.
- Previously school internal audits were undertaken within silos; however the two school thematic reviews being considered were cross-cutting and looked at all controls across the schools that responded.
- The SWAP Assistant Director explained the following school roles:
 - School governor – three core functions:
 - Strategic planning of the school, including overseeing the financial performance and that money is well spent.
 - Holding the headteacher/school leadership team to account.
 - The governing body was responsible for the school, whilst the local authority was responsible for support and had an interest in ensuring all schools were well managed and governed effectively.

- Local Authority:
 - Supporting the governing body by providing advice, resources and challenge.
- Defining good governance:
 - The SWAP Assistant Director noted that good governance could be defined as having a properly constituted governing body that had due process and held meetings to make effective decisions that are recorded; had plans and policies in place that were approved, delivered and reviewed, and had the necessary skills and training in place.
- Committees and meetings:
 - The report listed both the positive assurances and the potential areas of improvement. Findings that required improvement included the view that governing body finance subcommittees should meet more often to improve financial management, which may be improved by agility. By meeting more often the committee had the opportunity to take corrective action, therefore termly meetings were not sufficient.
 - The Council had limited oversight of these decisions which hindered its ability to report or correct non-compliance.
 - Generally, there was a lack of skills assessment for governors, to ensure they were suitably trained for any skill deficits. Mandatory training was mostly completed according to the relevant timescales. Corporate oversight should enable the Council to support and ensure compliance in the longer term.
 - Meetings of the governing bodies were generally fully minuted, however there were cases where subcommittees or more informal meetings had limited or no minutes at all.
 - Mandatory policies were mostly adopted and renewed on-time, however improvements could be made around slippage in the approval process.
- Finance:
 - The budget setting process mostly allowed the governing body to challenge budgets, although there could be greater opportunities to scrutinise budgets.
 - Over 50% of governing bodies received regular budget monitoring reports from the school. The remaining governing bodies were less able to influence budgetary control due to the infrequency of budgetary reporting.
 - The risk of fraud was considered by both school and Governors, although corporate support in this area may decrease opportunity for fraud. Noted that SWAP could assist with this.
- Support and engagement:
 - The relationship between the school and governing body was rated as “Excellent”.
 - From a school perspective, the relationship and support provided by the School Support Service (collectively) was rated “Good”.
 - From a governing body perspective, the relationship and support provided by Education and Finance support teams was rated “Good”.

- From the School Support Service perspective, the engagement was rated “Good”. School’s engagement with the Governor Support Team needed improvement.

SWAP Thematic Report – Finance:

- Powys County Council’s Scheme for the Financing of Schools set out the financial relationship between the Authority and the maintained schools which it funded. It also contained requirements relating to financial management and associated issues, binding on both the Authority and on schools.
- Budget share, as determined by the Council, was delegated to the governing body of the school.
- The Council may suspend a school’s right to a delegated budget by giving the governing body notice, in writing, if the provisions of the Scheme for the Financing of Schools and associated rules had been substantially or persistently breached, or if the budget share was not managed satisfactorily.
- Requirements of good financial management included:
 - Setting, reporting and managing a balanced budget; licensing and recovering budget deficits; preparing and communicating financial records; effectively collecting income and recovering debt; operating Voluntary funds and ensuring audit sign off; ensuring financial control and best value in procurement.
- Financial Management:
 - The vast majority of schools felt they had a reasonable, sustainable and flexible financial strategy in place. However, the Council’s Finance Team felt that this may be overly optimistic.
 - Schools indicated they held sufficient financial information from the Council’s Finance Team to manage budgets.
 - Around half of schools shared monthly accounts with the Finance Team. The Council was unable to hold financial visibility and oversight over budgets unless the information was shared.
 - Payroll expenditure was regularly checked and employees complied with relevant tax law (IR35).
- Procurement:
 - Payments to suppliers were reviewed by the school before payment.
 - VAT invoices were mostly attached to purchase card transactions. However, a minority of transactions cannot claim VAT due to invoices not being attached or being ineligible.
 - Periodic reviews were undertaken on spending to protect against fraud and error.
 - Some schools followed the Council’s ‘No Purchase Order, No Pay’ policy for the ordering of goods. However, some schools do not raise purchase orders before buying goods or ordering services.
 - Most schools paid invoices promptly.
- Income:
 - Schools had income and letting policies in place.

- Schools raised invoices to collect income through various means. However, in-house collection by schools was less likely to be collected if the debtor defaulted on the payment.
- Unofficial Funds:
 - Most schools had prepared annual accounts for their unofficial funds. However, accounts should be prepared annually for all schools. The Council had no visibility over the compliance with this requirement.
 - Some schools regularly had their unofficial funds independently audited. However, some schools had not complied with the auditing requirements and were at an increased risk of fraud and error.
 - Some schools maintained separation between delegated finances and unofficial funds.
- Support and Engagement:
 - Schools indicated that the Council's Finance Team supported and engaged on financial matters. The Finance Team indicated that engagement by schools was adequate.

Responses from Officers:

- The Service Manager for Education Support Services reported that a skills assessment document to support governing bodies had been issued. The aim was now to issue the document to governing bodies with a return date for the end of January, to allow time for completion. The information received would then help the Council understand training needs so that training could be targeted to where it was most required.
 - A central report was now being compiled to detail what training had been undertaken down to the governor-level.
 - A matrix for mandatory and best practice training had been circulated to all head teachers for school staff. This would be replicated or governing bodies.
 - The support from SWAP around fraud resources and training was welcomed for both schools, governing bodies and the Council's Governor Support Team.
 - A Clerk's Forum had been developed with discussions now focused on improving the process around informing the Council once policies had been ratified and implemented.
 - Learning arising from the report could now be shared at appropriate fora such as the Governor Consultative Committee, Governor's briefings and the Governance Working Group, with the aim to identify further improvements.
- The Head of Education noted that support around school finances had been offered to headteachers, area headteachers had been recently trained on appropriate use of purchase cards. Significant work had been undertaken with some secondary schools who had requested a financial deep dive, which identified potential savings and support with writing a recovery plan.
 - A financial toolkit had been introduced from September 2022, which schools had begun to utilise to help improve financial conversations with governing bodies, in addition to a benchmarking tool.

- It was noted that some schools would still require further support to prevent financial difficulties from progressing.
- Recruitment of business managers was challenging and four secondary schools did not have a business manager in post.
- The Deputy-Head of Finance added that the Scheme for Finance in Schools set out the relationships between school and the Council, which included the responsibility in terms of being accountable for the financial performance of the school, compliance with financial regulations and accountability for assets, which sat with the governing body.
 - The governing body may formally delegate these responsibilities to the headteacher, which could extend further to delegate certain responsibilities to other members of staff within the school.
 - Biannual finance surgeries were offered to support schools.
 - There was an expectation that the 14 schools who should employ a business manager/finance manager, to submit a financial forecast monthly. Where these were not received the Finance team would follow up with the school.

Brecon High School Control Assessment:

- The SWAP Assistant Director provided an overview of the report.
 - Governance: The school had satisfactory governance arrangements in place, there were some areas of concern which required improvement:
 - The school had not formally reported on the risk of fraud to the Governing Body for approval.
 - Detailed budget monitoring reports were presented on a termly basis.
 - The Headteacher's roles and responsibilities had not been approved by the Governing Body and defined for the delegation and budget management.
 - The school had all statutory policies in place, although not all had been reviewed.
 - Procurement: The school had satisfactory controls and adequate separation of duties to ensure that purchases were made in line with financial regulations. The school stated that most invoices were attached within the system, with the lack of invoices the school would be recharged the unrecoverable VAT.
 - Purchase orders were mostly raised prior to receiving goods. However, financial control and VAT accounting would be improved if all transactions were made through the Council's procurement system.
 - On average, there was a lengthy delay when passing invoices for payment.
 - There were 75 instances of purchases being made without an appropriate Purchase Order raised.
 - The main area for concern at the school was the management of the budget.
 - The school was operating with an unlicensed budget.
 - The budget plan submitted in May was balancing in-year in future years, so the school was not requested to submit a recovery plan. The school's finance team were monitoring forecasts submitted to ensure the position continued.

- Financial process and internal controls within the school needed to be reviewed for robustness.
 - Uncertainty over the accuracy of the budget forecast submitted.
 - The school was working closely with the Schools Finance Support Team to create an in-year balanced budget and to operate within it. The school was expected to make a small surplus every year which would go towards recovering the accumulative overspend.
 - Unofficial Funds: The level of voluntary funds was high (£131,000). The school stated that procedures were followed, however the voluntary fund had not been formally audited in the last five years. This was in breach of Section 2.8 of the Powys Scheme for the Financing of Schools. Auditors therefore could not give any assurance that expenditure was legitimate and that relevant controls were in place to protect against fraud.
 - Workforce: There were long-term vacancies within the school resulting in the school using agency staff, this had a negative impact on the budget.
- A full audit was undertaken by SWAP during 2018/19 with a follow-up in May 2021.
 - During the follow-up review, there was indication that the deficit would be £900,000 at present time. It was also expected that the school would be in surplus from 2021/22 and onwards.
 - There was a deficit of £1.47 million at the end of 2023, the Finance Team noted that this could increase to £1.7 million.
 - The financial forecast noted a reduction in the deficit to £1.29 million for 2027/28.
 - The SWAP Assistant Director added that although there was a reduction in the deficit planned, the assurances had been previously offered however they had not been delivered upon. Assurance must be provided that forecasts and plans were reasonable and deliverable.
 - The budget was unlicensed due to the level of debt and a warning notice had been issued in the past, however there was a willingness within the school to improve the budget situation, with the assistance of the Council's Finance Team.
 - The school's Voluntary fund (any fund which the school held that was not delegated, usually for school trips) held £131,000 which was unusually high. It was a requirement of the School Scheme of Finance that the accounts be prepared annually and audited. Whilst some accounts were being prepared, an audit of the voluntary fund had not been undertaken for five years, therefore there was an increased risk of fraud and error in addition to the lack of transparency.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
The Chair of Learning and Skills	The SWAP Assistant Director noted

<p>Scrutiny Committee noted from the presentation that there was a difference of opinion between schools and the Finance Team, with regard to having a reasonably sustainable and flexible financial strategy which was concerning.</p>	<p>there was a conflict of opinion and that it was right that views were constructively challenged. Further analysis into the specific concerns could be undertaken.</p> <p>The Head of Finance noted that differing opinions would only apply to certain schools as not all schools who had responded did so in the same way. Occasionally, governing bodies were not comfortable with the challenge provided by the Council's Finance Team which may result in such comments.</p> <p>Turnover within governing bodies may also hinder the understanding between governors and officers. Additionally, there was a need for schools to remind governing bodies of their responsibilities and role in engaging and building the relationship.</p>
<p>How could the effectiveness of governance processes be measured? Similarly with the training offered, how was the effectiveness measured?</p>	<p>The SWAP Assistant Director responded by noting that processes were assessed for inclusion of policies, governance and decision-making, or that there is a suitable framework in place to deliver those. The audit process then sought to test these processes in terms of their compliance.</p> <p>If the governance framework was working effectively, it would drive all the other parts. Therefore, there was less scrutiny around delivery of governance because that relied upon decision-making processes.</p> <p>Scrutiny was focused around the framework and process of governance rather than the actual decisions made.</p>
	<p>The Cabinet Member for a Learning Powys welcomed the recommendation to increase the frequency of governing body finance committees meetings, in order to increase oversight of spending within the particular school.</p> <p>It was further noted that there had been</p>

	<p>a significant focus on supporting governing bodies to publicise their policies on school websites to increase transparency.</p> <p>Although the outcomes of financial deep dives may not be particularly palatable, the Cabinet Member encouraged governing bodies to engage with the process which could provide schools with greater confidence in the robustness of their budgets.</p> <p>An example was provided where a school took an invest to save measure by employing a cover supervisor to reduce the costs otherwise incurred by relying on agency staffing.</p>
	<p>The Brecon High School Headteacher thanked the support provided by SWAP and the Finance Team.</p> <p>The School's improvement plan had been drafted, approved and set out how the school was going to address the actions agreed following the audit undertaken by SWAP. Deadlines had been set and once the action was completed, the auditors would be notified.</p> <p>The Headteacher confirmed that the unofficial fund's accounts had been prepared for audit, and the school were finalising a data disclosure agreement with an accountant. The Governing Body had been informed and once approved by them the unofficial fund would be audited annually.</p> <p>The school was attempting to project an in-year surplus position with some success over the previous five years. There were particular challenges such as the size of the school and sudden rising utility costs.</p> <p>The assistance of the Council's Finance Team and other support measures provided helped the school to set projections as accurately as possible.</p>

	<p>The school was now projecting an in-year surplus for 2025/26 and 2026/27. It was noted that the school was sharing all financial information with the School Finance Team monthly.</p>
<p>How did the findings and actions set out in the SWAP audit report link with the School's improvement plan, to ensure that the school's performance could be monitored satisfactorily?</p>	<p>The Head of Education explained that Brecon High School had prepared a school improvement plan with a particular recommendation to address financial management. The School Finance Team and Education Support Service met regularly with the Headteacher and senior leaders around the recommendations and actions set out in the improvement plan.</p>
<p>Regarding the unofficial funds, how many years were the School not able to provide comprehensive data for audit?</p> <p>Was there any other unexpected expenditure that the School faced?</p>	<p>The School's Business Manager confirmed that the current and previous three year's accounts were ready for audit, however there was insufficient information for the first two years, over the past five-year period.</p> <p>The sharp rise in cost of utilities had impacted on the school's budget position and made it more difficult to project an in-year surplus.</p>
<p>How helpful was the 'deep dive' into Brecon High School's finances?</p>	<p>The deep dive was welcomed and noted as being beneficial by the School as it allowed for both a review of the financial forecast but also the curriculum, as this linked in with the School's finances. The Headteacher would like to undertake another deep dive review at a suitable time in the future to continue the conversations that had developed.</p>
<p>The SWAP Assistant Director noted that a follow-up review would be undertaken to ascertain the School's compliance and delivery of its budget. The position on the voluntary fund would also be reviewed and fed back to the Committee.</p>	

Actions:

- To review the SWAP follow-up audit and position of Brecon High School's unofficial fund once the report was available.

Observations and Recommendations:

- Committee Members noted the report for information.

10. SPRINGING FORWARD ASSET MANAGEMENT REVIEW

Documents Considered:

- Springing Forward Asset Management Review

Background:

- Audit Wales undertook a review into how the Council strategically planned the use of its assets, and how it reviewed and evaluated the effectiveness of its arrangements.
- The review was undertaken across all local authorities in Wales and it was noted that the review was undertaken following the Covid pandemic period. The aim was for councils to strengthen their ability to transform, adapt and maintain the delivery of their services in the shorter and longer-term.
- The review found that the Council:
 - Had a clear high-level asset management strategy in place, with links to the Corporate and Strategic Equality Plan.
 - Was collaborating with internal and external partners on long-term property related initiatives.
 - Had developed high-level key performance indicators but there was opportunity to align and enhance business plans and performance monitoring.
- The Audit Lead (Performance) reported that the review was a positive report, with good examples seen in the strategic asset management strategy.
- The Head of Property, Planning and Public Protection welcomed the report and accepted the findings, it was noted that the Service would ensure the recommendations were addressed within appropriate time frames.
 - Progress on reviewing asset policies and plans had been delayed due to Strategic Property needing to balance these requirements with demands such as managing the return of Heart of Wales Property Services (HoWPS); project managing specific Levelling Up Fund projects; progressing the North Powys Wellbeing Hub; installing a new ICT system; developing the corporate landlord and implementing a thorough review of the fire risk assessment process.
 - There had also been a reduction in staff resource, such as the removal of the Senior Estate Manager position from Strategic Property.
 - The Service aimed to progress the review of the Corporate Asset Policy and Farm Estate Delivery Plan by the end of the financial year, which would align the Council's assets with the Corporate

Plan priorities and sustainable aspirations of Net Zero carbon targets.

- The medium-term financial strategy was vital as difficult decisions would be required to prioritise service delivery with limited resources. Assets would play a key part in the decision-making process both from a revenue and capital perspective.
- Condition surveys had been completed, in addition to Net Zero carbon assessments of the Council’s leisure estate.
- 130 of 134 farm estate condition surveys had been completed.
- Condition surveys for the care home estate had been commissioned, work was ongoing with Welsh Government to enable condition surveys and Net Zero carbon assessments of the Council’s school estate, with completion planned for the first half of 2024.
- There were plans for Service Areas to produce specific asset action plans, to ensure service delivery was at the heart of asset decisions and so the Council made better use of its resources.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>How did the Council plan to embed the need for effective strategic asset management, as this was not an isolated problem within the Strategic Property team.</p>	<p>The Head of Finance explained that Sustainable Powys would need to address these issues as part of place-based planning, which focused on the needs of the future. The Head of Finance worked closely with the Head of Property, Planning and Public Protection (PPPP) at the Senior Leadership Team-level. It was noted that the whole organisation and its partners needed to be engaged with the process, especially considering the financial challenges for the public sector.</p> <p>The Council and its partners owned many buildings and not all may be required into the future, therefore planning with partners was important to improve efficiency and invest more effectively.</p> <p>Integrated Business Plans would pick up on these issues at the service-level. However, there needed to be a strategic direction which would inevitably bring together and inform the financial plan and capital strategy.</p>
<p>The Interim Director of Environment</p>	

<p>supported the findings of the report and offered his full support for the Service to enable them to deliver their actions. It was reported there were 650 assets across Powys which held significant value, therefore it was important to think about investing to save.</p>	
<p>Why was there a delay in bringing the report to Governance and Audit Committee? Were there any implications for this delay?</p>	<p>The Audit Lead (Performance) noted that the review was paused as there was another audit ongoing within the Planning Service.</p> <p>The report had been sent to the Council around two to three months ago, however the delay was due to finding a space within the Committee's forward work programme.</p>
<p>Could the Council consider some asset sales as part of small spend to save projects to provide some revenue? The previous budget only had around £4 million listed in asset sales to contribute to the Capital Budget. Could the Committee be assured that the Council was planning to be more ambitious around how it spends money?</p> <p>Regarding benchmarking, were there particular areas where the Council planned to benchmark first and what progress had been made?</p> <p>The Chair noted that there would be difficult decisions required once the overall strategy around assets had been realised, and assurance was required that the Council was prepared and willing to make those difficult decisions.</p>	<p>The Head of Finance reported that the budget proposal was being formulated and the intention was for Cabinet and the Council to be advised that the Capital receipts target needed to be more ambitious. This should become more apparent as the budget setting process commenced.</p> <p>Once there was a better idea of what properties the Council needed to retain and where the investment was needed, the capital financing strategy could be formulated accordingly. There were funds set aside for spend to save which was not capital money but reserved, which may be utilised through the Capital Oversight Board which could approve small spend to save projects following appropriate business cases.</p> <p>The Head of Finance responded that officers would be clear and put those decisions forward with an evidence base to support Members, and was the responsibility of the Cabinet and ultimately the County Council for making and approving the decisions.</p> <p>Regarding the £4 million in asset disposal, the Head of PPPP noted that assets could not be disposed of</p>

	<p>quickly, and that the current aim was to remove liabilities and rationalise across the estate.</p> <p>Regarding benchmarking, the Council was now liaising with neighbouring local authorities to make comparisons and ensure that the Council's commercial estate demonstrated value for money to the public. There was also a need to engage with the private sector, in Powys, and more widely in Wales and the UK. The key performance indicators had not yet been developed, although this was work in progress and would be implemented within the next iteration of the Service's Integrated Business Plan.</p>
<p>As processes change to reach the goals of Sustainable Powys, could the Council closely engage with the key stakeholders to prevent silo thinking? For example, if the Health Board made changes, this would also affect the Council.</p>	<p>This was a key aspect of work going forward by maintain dialogue with key partners and those partners who were harder to reach, further afield.</p>
<p>Regarding the previous comments around the Council being more ambitious in its Capital receipts programme and review of the County Farm Estate delivery plan. Who was 'the Council', did this include both Officers and Members? Once the review had been completed, where does the review go to be implemented?</p>	<p>The Head of Finance responded by noting officers would need to present the proposals to Cabinet and ultimately it was the County Council's overall responsibility to sign off the Capital Strategy as part of its budget process. The output will be seen as part of this process.</p>

Observations and Recommendations:

- Committee Members noted the report for information.

11.	CORPORATE SAFEGUARDING BOARD ACTIVITY REPORT
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Documents Considered:

- Corporate Safeguarding Board Activity Report

Background:

- The Director of Social Services and Housing provided the Committee with an update on the work of the Powys Corporate Safeguarding Board, for the meetings held 4th August and 15th September 2023.

- Progress updates were provided in the report against the actions on the safeguarding regulatory tracker.
 - Annual Safeguarding Self-Assessment audits were discussed by the Board.
 - Updates were received on the dashboard to monitor and track actions.
 - Presentation on the tiered approach to contract management.
 - Community safety and partnership arrangements.
 - As part of National Safeguarding Week a conference was hosted by Powys County Council.
 - Safeguarding themes of the month were to be implemented.
 - Young Peoples’ housing.
 - Safeguarding in education and mandatory safeguarding training for adult and children’s social care staff.
- Forward Work Programme:
 - Receipt of the Volunteering for Powys County Council Policy.
 - Safeguarding vlog for Members and Governors.
 - The next meeting was scheduled for 14th December.

Observations and Recommendations:

- The Chair thanked the Director of Social Services and Housing for providing the regular updates of the Powys Corporate Safeguarding Board.
- There were no questions from Members.

12.	EDR0011 - CLIMATE EMERGENCY
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Actions:

- The risk deep dive presentation was delayed to the next Governance and Audit Committee meeting scheduled for 12th January 2024.

13.	WORKING GROUPS
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Documents Considered:

- 01-11-2023 Internal Audit Working Group

Background:

- The Chair (who was the Lead Member of the Internal Audit Working Group) noted the working group was established and was making good progress in covering important business on behalf of the main Committee.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
What was the Council’s position on insurance when certain Housing Compliance targets were not set at 100% completion.	The Head of Finance confirmed that the Council’s insurance policy wording was that ‘the Council was taking reasonable precautions to ensure its

<p>It was noted that inspection schedules must be followed and provided with the necessary resources.</p>	<p>compliance with statutory obligations’.</p> <p>The Head of Finance was of the opinion that if the Housing Compliance was not at 100%, as long as the insurers had assurance that the procedures were in place and it was a one-off instance, this would not jeopardise the insurance arrangements.</p>
<p>The HoWPS and HTR Working Groups following the completion of their investigations were now in a position to close, and once the reports had been finalised and considered by the main Committee.</p>	
<p>The Lead Member for the Capital Working Group had now produced an initial draft on the working group’s conclusions, which would be updated following the main Committee’s consideration of the Audit Wales review into assets management.</p>	

Observations and Recommendations:

- Committee Members noted the Working Group report.

14.	WORK PROGRAMME
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Documents Considered:

- Governance and Audit Committee Forward Work Programme 2022-2027

Background:

- Noted that the following items were due to be considered at the next Committee meeting:
 - Ysgol Calon Cymru Internal Audit Report (SWAP)
 - Digital Strategy Review (Audit Wales)
 - Red Dragon Project Review (SWAP)

Actions:

- To add to the Work Programme:
 - A review into the procedures around the Council’s Whistleblowing Policy.
 - Presentation on potential changes to the Committee’s work and practices due to changes to the Global Internal Audit Standards.

Observations and Recommendations:

- The Chair recommended that the risk deep dives into Strategic Risks EDR0011 and HTR008 be considered together, although they were the responsibility of different service areas, there was crossover between the Climate Emergency and Nature Emergency.

15.	STRATEGIC RISK MANAGEMENT - QUARTER 2 REPORT
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Documents Considered:

- Strategic Risk Management – Quarter 2 Report

Background:

- The Cabinet Member for Finance and Corporate Transformation provided a high-level overview of the Strategic Risk Management report for Quarter 2.
- There were 15 risks listed on the Strategic Risk Register, and all Strategic Risk Owners provided a short summary of progress since the previous quarter to provide assurance that mitigating actions were being actioned and monitored.
- Appendix A contained the full details of the 14 Strategic Risks.
- Appendix B contained the heat map which provided a visual representation of the level of severity assigned to each Strategic Risk.
- Appendix C contained details of Strategic Risk ASC0066 which was not publicly disclosed due to the need to maintain commercial confidentiality.
- Of the four Risks with a change in probability, two had increased and two had decreased.
- The report also contained details of a Strategic Risk within Children’s Services which was rated as ‘Severe’ (score of 15 or above).
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Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
It was concerning when considering that County Farm inspections had now moved to a 20-year rolling programme, this could present a major risk to the public.	The Cabinet Member for Finance and Corporate Transformation advised that Services were responsible for assessing the risks on their service risk-register, and where this score was above 15, it would be reviewed by the Senior Leadership Team where it could be escalated to the Strategic Risk Register. ACTION
The Chair noted that there were potentially several risks around service capacity which was difficult to manage, due to the financial constraints faced by the Council in employing the necessary specialist officers and in retention of staff.	

<p>It would be helpful to receive some commentary on why the scores of Strategic Risks had changed.</p>	<p>The Head of Finance noted on the supply chain strategic risk, since the Russian Invasion of Ukraine, there had been immediate supply chain issues. Monitoring of the situation over time through the Commercial Risk Board resulted in solutions to some of the problems initially identified at the beginning of the Invasion.</p> <p>Based on those assessments and the ability to procure necessary supplies, the strategic risk score had been lowered.</p> <p>Regarding the separate Strategic Risks for the Climate and Nature Emergency, the Head of Finance suggested that this could be reviewed as to whether it could be combined into a single Strategic Risk. ACTION</p>
<p>The SWAP Assistant Director reported that when looking at the situations of other SWAP Partners and the risk universe, the main issue affecting them was financial sustainability and stability. Did the Head of Finance foresee this Strategic Risk changing in any way?</p> <p>Regarding risk analysis, it was noted that SWAP could assist the Council with horizon scanning for potential future strategic risks.</p>	<p>The Head of Finance responded that the Council was concerned by future financial challenges and settlements faced by the public sector, the level of risk was increasing in terms of how it was to be managed and approached. The input would be welcomed, in addition to learning from colleagues in other Authorities.</p>

Actions:

- The Committee sought assurance that the Strategic Property Service was effectively managing the risks relating to more prolonged County Farm and other estate inspections, and that it was included in the Service’s Risk Register.
- The Chair would share her comments with officers to discuss the format and reporting of the Strategic Risk Register.

Observations and Recommendations:

- The Committee noted that the Climate Emergency and Nature Emergency were very closely linked, and questioned whether these strategic risks needed to be combined.
- The Chair questioned whether the format and reporting of the Strategic Risk Register needed to be refreshed, in terms of the methodology and

commentary to improve understanding of changes made to scoring for Members.

16.	EXEMPT ITEM
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The Committee did not resolve to exclude the public from the meeting as the Strategic Risk Management – Closed Risk item was postponed to the next meeting.

17.	STRATEGIC RISK MANAGEMENT - CLOSED RISK
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The item was postponed to the next meeting of the Governance and Audit Committee.

Lay Member L Hamilton (Chair)