

**GOVERNANCE AND AUDIT COMMITTEE**  
**27 SEPTEMBER 2021**

Minutes of the Governance and Audit Committee of Flintshire County Council held remotely on Wednesday, 27 September 2021

**PRESENT: Councillor Chris Dolphin (Chair)**

Councillors: Janet Axworthy, Patrick Heesom, Joe Johnson, Martin White and Arnold Woolley

Co-opted members: Sally Ellis and Allan Rainford

**APOLOGY:** Chief Officer (Governance)

**IN ATTENDANCE:**

Councillor Ian Roberts - Leader of the Council and Cabinet Member for Education, Councillor Billy Mullin - Deputy Leader (Governance) and Cabinet Member for Corporate Management and Assets, Councillor Paul Johnson - Cabinet Member for Finance, Social Value and Procurement, Chief Executive, Chief Officer (Housing and Assets), Chief Officer (Education & Youth), Internal Audit Manager, Corporate Finance Manager, Strategic Finance Managers, Principal Accountant, Civic & Member Services Officer and Democratic Services Officer

Gwilym Bury and Matt Edwards (with Yvonne Thomas observing) from Audit Wales

**21. DECLARATIONS OF INTEREST**

Councillor Janet Axworthy declared a personal interest on the Statement of Accounts (agenda item 4) as a Board member of NEW Homes.

Councillors Janet Axworthy, Patrick Heesom and Martin White declared a personal interest on School Reserve Balances (agenda item 6) in their capacity as school governors. Sally Ellis declared a personal interest on the same item due to her son being employed by a school in Flintshire.

**22. FEEDBACK FROM THE ALL WALES AUDIT COMMITTEE CHAIR NETWORK ATTENDED BY THE CHAIR, VICE-CHAIR AND INTERNAL AUDIT, PERFORMANCE & RISK MANAGER**

As the Committee's Vice-Chair, Sally Ellis reported back from a national meeting of Governance & Audit Committee Members which she had attended with the Chair and Internal Audit, Performance & Risk Manager. The main issues discussed at the meeting related to new governance arrangements and performance duties for Governance & Audit Committees in Wales. To prepare for the changes, she highlighted the following:

- The benefits of a trial run on the Committee's self-assessment.
- Training on complaints handling and monitoring which required engagement with Overview & Scrutiny Committees.

- A detailed report on arrangements for the appointment of a lay Chairperson and appropriate support to help that individual in their role.
- Awareness of restrictions on the recruitment of lay members.

The points raised were endorsed by the Chair and the Internal Audit, Performance & Risk Manager who advised that complaints training was available from the Office of the Public Ombudsman for Wales. She also reported on national arrangements for the recruitment process for Committee lay members.

## **23. MINUTES**

The minutes of the meeting held on 28 July 2021 were approved, as moved and seconded by Councillors Janet Axworthy and Arnold Woolley.

### **RESOLVED:**

That the minutes be approved as a correct record.

## **24. STATEMENT OF ACCOUNTS 2020/21**

The Corporate Finance Manager presented the final version of the Statement of Accounts 2020/21 incorporating changes agreed with Audit Wales (AW) during the course of the audit.

Following receipt of the draft accounts in July, responses to the questions raised by the Committee had been circulated and no further issues had been raised during the consultation period over the summer. There were no uncorrected misstatements and no significant issues had arisen during the audit which was nearing completion. A summary of corrected misstatements was appended to the report and it was noted that there would be a presentational change to note 15 on 'cash and cash equivalents' prior to final sign-off. The Committee was asked to approve the final version on that basis which was within the statutory deadline set by Welsh Government which had been extended due to the ongoing pandemic.

Matt Edwards of Audit Wales gave a presentation covering key areas and findings of the audit:

- Auditor General's responsibilities
- Audit position
- Overall findings
- Impact of COVID-19 on this year's audit
- Independence
- Looking ahead

During the presentation, Matt Edwards thanked Council officers for their work in producing the financial statements to a good standard and in a timely manner despite the challenges arising from remote working due to the Covid-19

pandemic. He said that subject to the Committee's approval, the Auditor General intended issuing an unqualified opinion on the financial statements.

Allan Rainford acknowledged work undertaken by officers to achieve this positive outcome. In response to a question, Matt Edwards explained the process for reviewing estimated figures on the Council's assets and pension liabilities and confirmed that no issues had been identified to raise with the Committee.

The Chief Executive said that the timetable for the annual accounts for next year - the current longer timetable or new shorter one - remained open as a question and would depend upon discussions with Audit Wales. He also spoke about positive outcomes from joint working with Audit Wales colleagues and the establishment of the Accounts Governance Group.

As Cabinet Member for Finance, Social Value and Procurement, Councillor Paul Johnson paid tribute to Council teams and Audit Wales colleagues for the way in which they had worked together during the emergency period to finalise the accounts.

In thanking Audit Wales colleagues for their professionalism throughout the process, the Corporate Finance Manager also expressed his appreciation to Finance colleagues across the organisation for helping to maintain the quality of the accounts and in particular key officers from Corporate Finance.

The recommendations were approved by Councillor Martin White and seconded by Sally Ellis.

**RESOLVED:**

- (a) That the final version of the Statement of Accounts 2020/21 be approved;
- (b) That the Audit Wales presentation 'Audit of the Group Financial Statements 2020/21 - Flintshire County Council' be noted; and
- (c) That the Letter of Representation be approved.

**25. FLINTSHIRE FINANCIAL SUSTAINABILITY ASSESSMENT FINAL REPORT**

The Chief Executive introduced the report on the findings of the Council's Financial Sustainability Assessment by Audit Wales following a review of all Councils across Wales. The report - which acknowledged the Council's strengths in financial planning and delivery of efficiencies - had been well received by the Corporate Resources Overview & Scrutiny Committee and Cabinet.

A formal response was not required as the report presented a fair reflection of the Council's financial position with no new issues raised. In recognising the scale of the anticipated financial challenge moving forward and reliance on fairer funding from Welsh Government (WG), the report would form part of a collective evidenced case by all Councils in Wales on the budget requirement for 2022/23.

Councillor Paul Johnson said that this was an important report which accurately reflected actions being taken by the Council to improve financial resilience through a robust strategy including the use of reserves.

Whilst finding financial management actions reassuring, Sally Ellis noted that reliance on an improved Settlement from WG was described as a high-risk approach. She asked Audit Wales colleagues for their view on what Councils could do differently to address this.

Gwilym Bury considered engagement with WG to be a reasonable step which had proved beneficial in the past and he commended the Council's strategic planning to identify significant budgetary pressures in high-risk areas such as Social Services which were national issues. He also noted that the Council's position on reserves had been impacted positively by WG emergency funding during the period. It was noted that reports for all Councils in Wales were being published on the Audit Wales website.

The Chief Executive said that a clear financial strategy communicated as part of the budget-setting process for 2022/23 was being supported by Overview & Scrutiny Committees. There was positive engagement with WG through the Welsh Local Government Association to make the collective case for an uplift in Revenue Support Grant, which reflected an equal position of risk across Wales.

In welcoming the report with no formal recommendations, Allan Rainford noted the level of usable reserves compared with other Councils and asked whether Council Tax collection projections presented a potential risk.

In response, Matt Edwards said that the challenging position on reserves was captured in the report and was acknowledged by the Council, whilst Gwilym Bury spoke about the Council's good track record on Council Tax collection.

The Corporate Finance Manager gave an update on improvement in Council Tax collection levels, as recently reported to Cabinet, which remained an area of focus.

The Chief Executive said that Council Tax collection forecasting for 2022/23 had been subject to robust risk assessments and could be shared privately on request.

Councillor Ian Roberts spoke about strong ongoing engagement between WG and Councils in Wales throughout the emergency. On Council Tax collection, he welcomed the shift in approach during the emergency to support residents in need.

The recommendation was moved by Councillor Joe Johnson and seconded by Sally Ellis.

## **RESOLVED:**

That the Committee notes the report and confirms that there are no issues to be brought to the attention of Cabinet.

### **26. SCHOOL RESERVE BALANCES YEAR ENDING 31<sup>ST</sup> MARCH 2021**

The Chief Officer (Education & Youth) presented the annual report on reserves held by Flintshire schools and the risks and internal processes associated with schools in deficit. The report had also been considered by the Education, Youth and Culture Overview & Scrutiny Committee.

In comparison with the previous year, there was an increase in reserve levels across all sectors held at 31 March 2021, partly due to a number of additional grants awarded for issues caused by the emergency situation. Grants awarded at a late stage had inflated balances at year-end and presented challenges for those managing school budgets. There had been a reduction in the number of primary and secondary schools in a deficit position and the robust processes for monitoring school balances through the Protocol for Schools in Financial Difficulty continued to provide challenge and target support where needed. There was regular engagement with Head Teachers on surplus balances which was an issue raised at national level. In recognising the significant challenges during the ongoing pandemic, schools were not expected to complete the annual return on their planned use of school balances exceeding the limits specified this year.

In noting the Council's additional investment in delegated schools budgets to manage the reduction in school budget deficits, Sally Ellis asked about the level of extra funding that was required to change the funding formula for schools.

It was clarified by the Chief Officer and Strategic Finance Manager that an additional £1m had been allocated to the secondary sector for 2021/22 which was recurring funding, as resources allowed. The requirement for more school funding was identified as a cost pressure in Stage 2 of budget reports to Overview & Scrutiny and was dependent on the Council's overall financial position following notification of the Provisional Settlement in December 2021. Plans to address changes in the school funding formula would take some time to resolve.

As Leader of the Council and Cabinet Member for Education, Councillor Ian Roberts cited other factors contributing to schools' deficit position.

The Chief Executive said that the Council's strategy to include the additional uplift for schools responded to the Estyn inspection recommendation to effectively manage the reduction in school budget deficits and was dependent on the increased Settlement from WG.

The Chief Officer assured the Committee of the overall strategy for high-performing schools across Flintshire and to encourage parents to choose local schools.

The recommendation was moved and seconded by Councillors Martin White and Joe Johnson.

**RESOLVED:**

That the school reserve levels as at 31 March 2021 be noted.

**27. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit, Performance & Risk Manager presented the regular update on progress against the Plan, final reports issued, action tracking, performance indicators and current investigations.

Since the last report, there were no Red (limited assurance) reports and two Amber Red (some assurance) reports on Notification of Payroll Leavers to Clwyd Pension Fund and CCTV. On overall action tracking, alternative ways of managing overdue actions were being explored to make more efficient use of officer time. Movements within the 2021/22 Audit Plan were summarised.

On the latter, Sally Ellis referred to references to audit work in Procurement & Contract Management/Monitoring and suggested more clarity in future reports to help understand different strands of work. The Internal Audit, Performance & Risk Manager provided an overview of the two separate pieces of work in that area.

The recommendation was moved by Sally Ellis and seconded by Councillor Martin White.

**RESOLVED:**

That the report be accepted.

**28. ACTION TRACKING**

The Internal Audit, Performance & Risk Manager presented an update on actions arising from previous meetings, and advised that the Committee's effectiveness workshop would take place remotely on 13 October 2021.

The recommendation was moved and seconded by Councillors Arnold Woolley and Janet Axworthy.

**RESOLVED:**

That the report be accepted.

**29. FORWARD WORK PROGRAMME**

The Internal Audit, Performance & Risk Manager presented the current Forward Work Programme for consideration, including movements since the last report.

Following the earlier update, Sally Ellis suggested items on the annual complaints report and preparations for the new legislation affecting the Committee.

The Internal Audit, Performance & Risk Manager advised that training requirements for the Committee identified at the workshop in October would feed into the forward work programme.

The recommendations in the report were moved and seconded by Councillors Arnold Woolley and Martin White.

**RESOLVED:**

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit, Performance & Risk Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

**30. ATTENDANCE BY MEMBERS OF THE PRESS**

There were no members of the press in attendance.

The meeting started at 10am and finished at 11.30am

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**Chair**