

GOVERNANCE AND AUDIT COMMITTEE
27 SEPTEMBER 2023

Minutes of the Governance and Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 27 September 2023

PRESENT: Allan Rainford (Chair)

Councillors: Bernie Attridge, Glyn Banks, Allan Marshall, Andrew Parkhurst and Linda Thomas

Co-opted members: Sally Ellis and Brian Harvey

IN ATTENDANCE: Councillor Paul Johnson (Cabinet Member for Finance, Inclusion, Resilient Communities), Councillor Billy Mullin (Cabinet Member for Governance & Corporate Services), Chief Executive, Chief Officer (Governance), Internal Audit, Performance & Risk Manager, Corporate Finance Manager and Democratic Services Officer

Mike Whiteley and Carwyn Rees from Audit Wales

For minute number 30

Chief Officer (Education & Youth) and Strategic Finance Manager (Schools)

28. DECLARATIONS OF INTEREST

Sally Ellis declared a personal interest on agenda item 4 (School Reserve Balances) due to her son being employed by a school in Flintshire. As a school governor, Brian Harvey declared a personal interest on the same item.

29. MINUTES

The minutes of the meeting held on 26 July 2023 were approved, as moved and seconded by Councillors Bernie Attridge and Andrew Parkhurst.

RESOLVED:

That the minutes be approved as a correct record.

30. SCHOOL RESERVE BALANCES YEAR ENDING 31 MARCH 2023

The Strategic Finance Manager (Schools) presented the annual report on reserves held by Flintshire schools together with the risks and internal processes associated with schools in deficit. The report had been shared with all Headteachers and had been considered by the Schools Budget Forum and the Education, Youth & Culture Overview & Scrutiny Committee.

In comparison with the previous year, there was an overall reduction of 42.31% in reserve levels across all sectors at 31 March 2023, as expected, due to a range of factors. A breakdown of the position showed that most schools had used a significant proportion of their reserves resulting in a lower level of reserves held than at the same stage last year. The report also focussed on the challenges for schools in setting their balanced budgets for 2023/24 resulting in a

number of voluntary redundancies and ten schools applying for a licensed deficit, with projections for an increase in deficits by the end of the financial year.

The Chief Officer (Education & Youth) said that whilst good progress had been made in managing the reduction in school deficits (in line with the Estyn recommendation), there were significant concerns about the financial position of some schools and the difficulties faced by Head teachers and governors in managing their budgets effectively, given the ongoing impacts of the pandemic and inflationary pressures. She thanked the Finance teams and school accountants for the additional support and spoke about the effects of the Council's projected budget gap for 2024/25 on school delegated funding and resources.

In response to a question from Brian Harvey on areas of economic and social deprivation, reference was made to the wider effects on families, learners and schools, together with work on the funding formula for the secondary sector which aimed to target support in the most effective way.

As requested by Councillor Bernie Attridge, explanation was given on engagement with the ten schools reporting a deficit position. It was estimated that this work would be concluded by the end of October, however the impact on school budgets for 2024/25 would need to be considered at a later stage.

In response to a query, Councillor Allan Marshall was advised that the anticipated reduction in the total level of reserves to around £2m at 31 March 2024 was based on a range of known information at this stage. In addition, the Corporate Finance Manager provided clarity on the reporting of school reserves earlier in the year.

Following comments from Councillor Glyn Banks on comparison with the position five years ago, the Chief Officer spoke about the difficulties in projecting outcomes and the likelihood that there would be no WG education grants awarded late in the financial year to influence the final position.

The Chair thanked the officers for the detailed report. In response to questions, information was provided on the approved process for redundancies and associated cost implications, together with supporting schools on medium-term financial planning.

On a question by Sally Ellis, the Chief Officer said that whilst there was no redeployment policy, there was engagement with schools to mitigate the potential for compulsory redundancies.

The recommendation was moved and seconded by Sally Ellis and Councillor Linda Thomas.

RESOLVED:

That the level of school reserves as at 31 March 2023 and overview of schools' current financial position be noted.

31. **AUDIT WALES - FLINTSHIRE COUNTY COUNCIL DETAILED AUDIT PLAN 2023**

Mike Whiteley introduced the Audit Wales Plan for 2023 comprising proposed financial and performance audit work for the Council including timescales, costs and responsibilities.

In summarising key sections of financial audit work, attention was drawn to the management override of controls which was a default significant risk present in all Audit Plans, along with other risk areas involving complex issues not specific to Flintshire. On the audit of financial statements, changes to the timetable meant that the audit would not commence until November 2023 due to slippage in the work of Audit Wales and ongoing recruitment challenges. In recognising the impact of this delay, Audit Wales colleagues were engaging with the Finance team to identify areas for early sample testing and were committed to a staged return to the earlier deadline over the next two to three years.

The Chair expressed concerns about risks associated with the slippage in the financial audit timetable in respect of officer resources and potential impact on budget-setting for 2024/25, particularly in view of the increase in audit fee. His concerns were echoed by Councillor Bernie Attridge.

Mike Whiteley referred to the impact of the revised auditing standard ISA 315 on the financial audit approach and the expectation for the audit of the 2023-24 financial statements to be undertaken at an earlier stage than this year. Councillor Attridge was provided with information on the local project on Planning Services on which similar work at other councils had helped to identify improvements to service delivery.

The Chair commented on the timeliness of the thematic review on the financial sustainability of local government across Wales, given the increased media focus on councils across the UK. Carwyn Rees reported that work was in the initial stages with a view to sharing the findings by June 2024.

Councillor Andrew Parkhurst asked whether the thematic review on commissioning and contract management would look at the effectiveness of managing potential conflicts of interest to ensure that the Council achieved value for money. Carwyn Rees was unable to confirm this specific point as scoping work was not yet concluded, however the review would focus on arrangements for the commissioning of contract services taking into consideration the achievement of value for money.

In response to a query from Sally Ellis on value for money arrangements as part of assurance and risk assessment work, Carwyn Rees explained the approach to identifying areas of focus. The Internal Audit, Performance & Risk Manager confirmed that a recent report by Audit Wales would be brought to this Committee, following consideration by Cabinet and the Climate Change Committee, in line with the reporting protocol.

Mike Whiteley noted the concerns raised by the Committee on the revised financial audit timetable and would pass these back to his colleagues as requested by the Chair.

The recommendation was moved and seconded by Councillor Bernie Attridge and Brian Harvey.

RESOLVED:

That the Audit Wales, Flintshire County Council - Detailed Audit Plan 2023 be approved.

32. CORPORATE SELF-ASSESSMENT 2022/23

The Chief Executive and Internal Audit, Performance & Risk Manager presented the report on the Corporate Self-Assessment for 2022/23 which summarised feedback from consultation and stakeholder engagement on the findings from analysis against the eight themes. A number of improvements had been made to the process since the pilot undertaken for 2021/22. Improvement areas set out within the report were currently being actioned.

Sally Ellis welcomed the improvements which reflected feedback from consultation. In response to questions, it was explained that the Welsh Local Government Association peer assessment model would inform future peer reviews and that benchmarking opportunities were being explored through the Council's membership with the Association for Public Service Excellence (APSE).

In response to comments from Brian Harvey on further improvements to the process year on year, explanation was given on the work of the Performance team in aligning to the Annual Government Statement and overall performance framework. This was one of a number of corporate documents subject to rigorous challenge through the committee process to drive performance improvement.

The Chair welcomed the changes which made the report easier to read. In response to questions on improvement opportunities, the Chief Executive said that the implementation of a robust new pay model would help towards addressing recruitment issues experienced in the current challenging market. On another action, plans to develop a cultural values-based approach across the organisation would be supported by a workforce training and engagement programme.

The recommendations were moved and seconded by Brian Harvey and Councillor Linda Thomas.

RESOLVED:

- (a) That the findings of the Corporate Self-Assessment 2022/23 be accepted and approved; and
- (b) That the opportunities for improvement identified in the Corporate Self-Assessment 2022/23 be approved.

33. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit, Performance & Risk Manager presented the update on progress against the Plan, final reports issued, action tracking, performance indicators and current investigations. Since the last update, one Amber Red (some assurance) report had been issued on School Funding - Tŷ Ffynnon. There was a slight variation in overdue actions and follow-up arrangements were continuing including escalation to the Chief Officer team.

As requested by the Chair, the Housing service would be asked to provide a report on actions relating to Maes Gwern, to give assurance to the Committee that progress was being made.

Councillor Bernie Attridge sought information on the current status of actions relating to SARTH including reference to developing a plan for homelessness. The officer agreed to liaise with Housing colleagues and share an update with the Committee.

Sally Ellis thanked the team and Chief Officers for the update on overdue actions. On high and medium overdue actions, she raised concerns about the number of those with a revised due date and suggested that an update from Housing & Communities and Streetscene & Transportation be shared with the Committee. It was agreed that this combined update would be included as an agenda item for the next meeting.

On that basis, the recommendations were moved and seconded by Councillors Bernie Attridge and Andrew Parkhurst.

RESOLVED:

- (a) That the report be accepted;
- (b) That the Housing service share a report on progress with outstanding actions from the audit on Maes Gwern Contractual Arrangements; and
- (c) That an item on the current status of overdue actions under Housing & Communities and Streetscene & Transportation be shared at the next meeting.

34. ACTION TRACKING

The Internal Audit, Performance & Risk Manager presented an update on actions arising from previous meetings.

Whilst noting the response to his query on unvalued artefacts held in the Archives, Councillor Andrew Parkhurst questioned whether there was a process to identify missing items as well as considering the financial implications. He acknowledged the response on how the accounts reflected senior managers' remuneration where they were also directors of companies doing business with the Council. However he said that this would only apply where the individual's salary was above the reporting threshold and therefore his concerns about transparency remained.

The Corporate Finance Manager said that the response which had been shared detailed the prescribed format used for the accounts.

On the process for dealing with officers' interests, the Chief Officer (Governance) advised that a recent review by Internal Audit had identified the need for further training. When followed correctly, the process prevented interests from impacting on Council functions.

During the discussion, Councillor Parkhurst commented on a particular case on which he felt the Committee should have oversight, particularly as information was available elsewhere in the public domain. The Chief Officer explained that the process enabled managers to manage the interests of their staff. His suggestion to discuss further with Councillor Parkhurst and the Corporate Finance Manager outside the meeting was accepted.

The recommendation was moved and seconded by Brian Harvey and Sally Ellis.

RESOLVED:

That the report be accepted.

35. FORWARD WORK PROGRAMME

The Internal Audit, Performance & Risk Manager presented the current Forward Work Programme for consideration and confirmed that the Statement of Accounts would be moved to April 2024 following the earlier agenda item.

As an action arising from the Committee's self-assessment, arrangements would be made for the Chair and Vice-Chair to meet with the Leader of the Council.

On that basis, the recommendations were moved and seconded by Councillor Linda Thomas and Sally Ellis.

RESOLVED:

- (a) That subject to the changes, 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.

36. **ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

None.

(The meeting started at 10am and finished at 12 noon)

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Chair