

GOVERNANCE AND AUDIT COMMITTEE
27 JULY 2022

Minutes of the Governance and Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 27 July 2022

PRESENT: Sally Ellis (Chair)

Councillors: Bernie Attridge, Glyn Banks, Ryan McKeown, Andrew Parkhurst and Linda Thomas

Co-opted members: Reverend Brian Harvey and Allan Rainford

APOLOGIES: Councillor Jean Davies

Apologies also received from Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education, Welsh Language, Culture and Leisure), the Internal Audit, Performance & Risk Manager and Gwilym Bury (Audit Wales)

IN ATTENDANCE: Councillor Paul Johnson (Cabinet Member for Finance, Inclusion, Resilient Communities), Chief Executive (minute numbers 17-19), Chief Officer (Governance), Corporate Finance Manager, Strategic Finance Manager and Democratic Services Officer

Mike Whiteley from Audit Wales

17. DECLARATIONS OF INTEREST

None.

18. MINUTES

The minutes of the meeting held on 8 June 2022 were approved, as moved and seconded by Councillors Linda Thomas and Andrew Parkhurst.

Minute number 12 - The Chair and Vice-Chair had shared the Committee's concerns about outstanding actions on red assurance reports at a recent meeting with the Chief Executive and Chief Officers where a number of actions had been agreed, including the option to invite the relevant senior officer to attend the Committee to provide explanation where appropriate. The Chair and Vice-Chair would be invited to meet with the Chief Officer team again to review progress.

RESOLVED:

That the minutes be approved as a correct record.

19. DRAFT STATEMENT OF ACCOUNTS 2021/22

The Corporate Finance Manager and Strategic Finance Manager presented the Draft Statement of Accounts 2021/22 (subject to audit) for information only at this stage. These comprised the Group accounts and its wholly owned subsidiaries, along with the Annual Governance Statement as reviewed at the

previous meeting. There would again be an open consultation period during the Summer for Members to raise any aspect of the accounts with officers prior to the Committee receiving the final audited version for approval.

A joint presentation covered the following:

- Purpose and Background of the Accounts
- Contents and Overview
- Responsibility for the Accounts
- Links to Budget Monitoring
- Changes to the Statement of Accounts for 2021/22
- Key Issues and Impacts
- COVID-19 Emergency Grant Funding
- Headlines - Council Fund (Revenue), Revenue Reserves, Significant Movements, Capital and Housing Revenue Account (HRA)
- Accounts Governance Group
- Timeline and Next Steps

It was confirmed that the draft accounts had been completed and submitted within the deadline which had been extended by Welsh Government (WG) in recognition of the impact of the pandemic. The deadline for submitting the final audited accounts had been extended to 30 November 2022.

Mike Whiteley highlighted a potential risk in the capacity of Audit Wales to meet the Committee's deadline to approve the final audited accounts at its meeting on 28 September 2022. Given the extended framework set by WG and the outstanding guidance on asset valuations awaited from the Chartered Institute of Public Finance and Accountancy (CIPFA), he sought the Committee's view on the final accounts being submitted for approval at the November meeting or that date being brought forward to enable the accounts to be signed off by the Auditor General for Wales within the revised deadline.

When asked by Councillor Glyn Banks about financial contributions to Theatr Clwyd, the Corporate Finance Manager advised that these formed part of Central & Corporate Financing elements of Revenue Budget Monitoring. Following clarification by the Chief Officer (Governance) on reporting arrangements of external partner organisations, it was agreed that officers would review wording in the final accounts to clearly differentiate arrangements for Theatr Clwyd as opposed to NEW Homes and Newydd which were wholly owned subsidiaries of the Council. Councillor Banks shared a note in which he suggested a brief explanation under the section on Associated Companies within the document.

In response to questions from Councillor Andrew Parkhurst on the increase in unearmarked reserves, the Corporate Finance Manager provided background on the base level of reserves maintained to protect against unforeseen circumstances, in addition to contingency reserves which were currently at a higher level than usual due to late notification of grants from WG. He spoke about the importance of protecting reserves to deal with unknown impacts of pay awards and inflationary increases. On comparing reserve levels with other councils, he

referenced the published Audit Wales review of financial sustainability which included comparison of reserve levels across Wales.

In referring to the complexity of Hardship Grant Funding and the regional role of the Council during the pandemic, Councillor Paul Johnson urged Members to consider the document in detail, noting the scale of future financial challenges.

In acknowledging the complex regulations involved in producing the accounts, Allan Rainford raised a number of queries on which there was clarification on earmarked reserves and the separate arrangements for signing off accounts for the County Council and Clwyd Pension Fund. It was noted that the increase in reserves during the pandemic in 2020/21 had been rolled forward for use in 2021/22 to complete schemes within the Capital Programme, with no projected impact on future years. The Council's long-standing prudent approach of maintaining a minimum level of 3% reserves meant that anything above was considered for future stock investment.

In response to further queries, it was confirmed that external audit fees for the Local Government Measure related to performance work by Audit Wales and an update was given on current rent arrears which were above the Welsh average. On the year-end net underspend on the Council Fund (revenue), the Corporate Finance Manager advised that there had been no significant operational or performance issues contributing to this position as detailed in the presentation. On potential future liabilities such as insurance, he spoke about the difference between contingency reserves for unforeseen costs and those set aside for specific reasons under earmarked reserves.

Reverend Brian Harvey asked whether any work was being undertaken to assess the effectiveness of key emergency grants received through the Hardship Fund to assist with the response and recovery phases of the pandemic. The Corporate Finance Manager said that the provision of emergency funding had impacted significantly on the financial outturn in claiming for additional cost pressures as a result of the response, including retrospective reimbursements and lost income across the Council. The Chief Officer (Governance) spoke about the role of the Recovery Committee in overseeing the recovery phase of the pandemic. He agreed to share information on support targeted to local businesses and communities during that period.

On the strategy to build up school reserves, the Corporate Finance Manager referred to work underway to understand school spending plans over the medium term. Whilst this was under the remit of the Education, Youth & Culture Overview & Scrutiny Committee, an annual update was shared with the Governance & Audit Committee and scheduled for the next meeting.

In response to queries from Councillor Bernie Attridge, the Corporate Finance Manager explained that asset valuation was a national issue and that discussions were taking place with Audit Wales to consider the best approach for Flintshire. He also advised that the year-end underspend had predominantly been reported through Revenue Budget Monitoring leading up to the Election period,

with the exception of late notification of some grants. He reminded the Committee that the positive position was mainly due to one-off grants received.

When asked by Councillor Andrew Parkhurst about the Clwyd Pension Fund, the Corporate Finance Manager provided explanation on the prescribed separate reporting standard within the Council's accounts. He also referred to the Actuarial valuation cycle with the outcome of the latest review due in the Autumn.

Councillor Parkhurst also remarked on the increased number of senior officers whose remuneration exceeded £60,000 and was informed that this threshold had not changed for some time which had resulted in the increase. He was also given information on the maintenance process which involved officers taking on additional duties.

During the discussion, the Chair and Committee Members expressed their gratitude to the teams responsible for producing the accounts and to the Accounts Governance Group for its important contributions. It was agreed that the November meeting date would be brought forward to enable the accounts to be approved and signed off within the deadline.

The recommendations, which were amended to reflect the debate, were moved and seconded by Councillors Bernie Attridge and Glyn Banks.

RESOLVED:

- (a) That the draft Statement of Accounts 2021/22 (which includes the Annual Governance Statement) be noted; and
- (b) That Members note the opportunity to discuss any aspect of the draft Statement of Accounts with officers or Audit Wales from July to August, prior to the final audited version being brought back to the Committee for final approval in November 2022.

20. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2021/22

The Corporate Finance Manager presented the supplementary financial information to accompany the draft Statement of Accounts 2021/22 as required by the Notice of Motion approved by the Council in 2013.

In response to a question from Allan Rainford, the Chief Officer (Governance) provided clarification on the process for authorising the appointment of interim temporary staff and consultants.

The Chair asked about the increase in spend for temporary staff and comparison with other councils. Officers suggested that nationwide recruitment and retention issues could be the main factor. It was agreed that a response would be sought from the Corporate Manager (People and Organisational Development) and emailed to the Committee.

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

RESOLVED:

That the report be noted.

21. TREASURY MANAGEMENT ANNUAL REPORT 2021/22 AND TREASURY MANAGEMENT UPDATE QUARTER 1 2022/23

The Strategic Finance Manager presented the draft Treasury Management Annual Report 2021/22 for review and recommendation to Cabinet. The Quarter 1 update on matters relating to the Treasury Management Policy, Strategy and Practices 2022/23 was also shared for information, along with the reporting cycle. In accordance with the usual process, a training session for all Members would be scheduled for December 2022 prior to approving the Treasury Management Strategy for 2023/24.

An overview was provided of key sections of the Annual Report including the impact of economic issues during the period. The first quarterly update for 2022/23 provided an update on investments and borrowing activity with no breaches of the Treasury Management Strategy reported.

Allan Rainford welcomed the approach to minimising risk on investments and was provided with information on the investment strategy which prioritised liquidity and security whilst diversifying and spreading risk, in conjunction with advice from Arlingclose.

In response to a question from the Chair, it was explained that other councils across Wales took a similar approach to treasury management with a focus on short-term borrowing.

The recommendations were moved by Councillor Bernie Attridge and seconded by Councillor Linda Thomas.

RESOLVED:

- (a) That the draft Treasury Management Annual Report 2021/22 be noted, with no matters to be drawn to the attention of Cabinet in September; and
- (b) That the Treasury Management 2022/23 first quarter update be noted.

22. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

None.

The meeting started at 10am and finished at 11.40am

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Chair