

**GOVERNANCE AND AUDIT COMMITTEE**  
**26 JULY 2023**

Minutes of the Governance and Audit Committee of Flintshire County Council held as a remote attendance meeting on Wednesday, 26 July 2023

**PRESENT:** Allan Rainford (Chair)

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

Co-opted members: Sally Ellis and Reverend Brian Harvey

**SUBSTITUTE:** Councillor: Ryan McKeown (for Ted Palmer)

**APOLOGIES:** Councillor Glyn Banks, Gareth Owens - Chief Officer (Governance) and Mike Whiteley of Audit Wales

**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 (Social Services), Internal Audit, Performance & Risk Manager, Corporate Finance Manager, Strategic Finance Manager, Principal Accountant and Democratic Services Officer

Carwyn Rees and Simon Monkhouse from Audit Wales

**20. DECLARATIONS OF INTEREST**

None.

**21. MINUTES**

The minutes of the meeting held on 14 June 2022 were received.

**Matters Arising**

Information on delayed hospital discharges (minute number 6) had been circulated to the Committee, together with an update on overdue actions for Highways Structures (minute 13).

It was noted that Councillor Allan Marshall's comments on telephone answering times had been included in minute number 8.

**Accuracy**

Minute number 18: Cyber Resilience - Sally Ellis referred to her remarks on the monitoring of strategic risks. She said that whilst the role of the Corporate Resources Overview & Scrutiny Committee had been noted, her comments on the importance of political leadership through Cabinet should also be reflected.

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

**RESOLVED:**

That subject to the change on minute number 18, the minutes be approved as a correct record.

**22. DRAFT STATEMENT OF ACCOUNTS 2022/23**

The Corporate Finance Manager presented the Draft Statement of Accounts 2022/23 (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 which had been reviewed at the previous meeting. The open consultation period during the Summer would provide an opportunity for Members to raise any aspect of the accounts with officers prior to the Committee receiving the final audited version for approval in November.

A 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 2022/23
- Key Issues and Impacts
- 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 Welsh Government (WG) deadline which had been extended to take account of the appropriate accounting of asset valuations at a time of high inflation and the legacy impacts of the pandemic. The deadline for submitting the final audited accounts had been extended to 30 November 2023.

The Chair recognised the challenges in producing the accounts and paid tribute to the work of the team. On the narrative report, he referred to capital programme data on pages 3 and 5 and suggested that comparison of spend against budget would be helpful for the reader.

The Corporate Finance Manager explained that whilst the presentation of data was unchanged, he would incorporate an additional column in future statements to show variances across portfolios together with a clear definition to prescribed wording such as 'inalienable assets'.

On rent arrears, the Corporate Finance Manager agreed to share explanation on the difference in the outturn shown in the narrative report (which did not include overpayments, pre-payments etc) as opposed to the amount on

note 13 which reflected the actual amount on the balance sheet for short-term debtors. Although rent collection levels in Flintshire were high, the increase in rent arrears nationally had been identified as a red risk in the Council's corporate risk register and was being closely monitored by the Community & Housing Overview & Scrutiny Committee. On the recovery of Council Tax, the Council's robust approach to maximising collections along with proportionate support had helped to maintain good performance resulting in a collection rate of 97.4% in 2022/23 which was well above the Welsh average.

On the increase in service balances, the officer explained the robust process for challenging and reporting, including carry-forward requests, as detailed in monthly budget monitoring reports to Cabinet and Corporate Resources Overview & Scrutiny Committee.

Sally Ellis asked about planning for future requirements on asset valuations and was told that the current process would be undertaken annually, for consistency. In response to further questions, the Corporate Finance Manager had no concerns about meeting the revised deadlines for 2023/24. On the reduction in Council Fund reserves shown in the Movement in Reserves Statement, he reported no significant change and that school reserves were now reducing following the high levels during the pandemic and were being monitored. In response to a request for more clarity on pension reserves shown on page 39, it was explained that a re-valuation in 2022 had reflected an improved position and that the figures, shown for accounting presentation purposes, did not impact on the Council's financial position.

On the delayed introduction of IFRS 16 accounting policies from April 2024, the Principal Accountant said that work was in hand to prepare for the changes which were around the recognition of leases in the financial statements.

Councillor Bernie Attridge referred to the HRA Income and Expenditure Statement and queried income loss from void properties. The Corporate Finance Manager advised that this was incorporated into the net income figures shown in the accounts, with greater detail on significant variances reported in budget monitoring updates to Cabinet and Overview & Scrutiny. He went on to refer to the widespread problem of escalating rent arrears and said that the Council had bad debt provision and a robust debt recovery policy framework in place. A query on different housing stock figures quoted in the accounts and reported to Overview & Scrutiny was due to some properties being under construction.

Councillor Andrew Parkhurst sought an opinion on the impact of pension deficits if the Pension Fund disinvested in companies whose primary business was in fossil fuels, and consequences on the Council's finances.

The Corporate Finance Manager agreed to pursue a written response from the pensions team. He would also respond separately to questions on the recipients of soft loans and insurance cover/risk registering of unvalued items in the Council's archives.

The Chief Executive advised that a disinvestment strategy had been published, as approved by the Clwyd Pension Fund Committee with oversight by the professional consultants and the Fund's Actuary.

On officers' remuneration, it was confirmed that the definition of senior officers was the Chief Executive and those directly reporting to him and that Note 26 listed details of other senior officers. On Note 28, Councillor Parkhurst referred to the section on officers' interests in businesses receiving payments from the Council and remarked that senior managers reporting directly to Chief Officers could have a degree of influence over their areas of responsibility. He requested greater transparency on those individuals in the accounts. Officers would provide a separate response, along with background on the reduction in receipts from the Local Health Board and Welsh Local Government Association on Note 28.

When asked by Rev Brian Harvey about the Council's approach to tackling rent arrears, the Chief Executive spoke about the range of intervention measures deployed by the teams to help people to remain in their homes. On public engagement, the Corporate Finance Manager said that whilst the availability of the financial accounts was publicised in the local press, key messages were conveyed on the budget to highlight the Council's financial position.

Following a question by the Chair, the Corporate Finance Manager explained that the embedded practice for reviewing non-essential spend across all services was now an effective part of the budget monitoring process. Whilst those areas of spend were not removed from the budget altogether, they formed part of consideration towards mitigating in-year cost pressures.

When asked about the increase in audit fees, Simon Monkhouse said that this was mainly due to the revised auditing standard ISA 315 which required a greater skill mix to undertake a more detailed planning process to auditing accounts. As this was the first year of implementation, it was hoped that fees would reduce over time as the changes were embedded. High inflationary levels were also a factor in the increased fees. On the timetable, work was ongoing to meet the final approval deadline in November and plans were in place over the next three years to bring back the deadline in line with previous years.

Councillor Allan Marshall referred to conflicting wording on the purpose of the item and recommendations. The Corporate Finance Manager drew attention to the timeline shared in the presentation including the opportunity for questions to be raised, prior to the accounts being received for formal approval on 22 November.

The Chair suggested an amended recommendation for clarity, which was moved and seconded by Councillors Attridge and Parkhurst.

**RESOLVED:**

- (a) That the draft Statement of Accounts 2022/23 (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 during the audit period, prior to the final audited version being brought back to the Committee for final approval on 22 November 2023.

**23. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2022/23**

The Corporate Finance Manager presented the supplementary financial information to accompany the draft Statement of Accounts 2022/23 as required by the Notice of Motion approved by the Council in 2013. He agreed to include an additional column in Tables 1 and 2 for future reports to compare spend with the previous year, as requested by Sally Ellis.

In response to a query from the Chair on Table 2, the Chief Executive spoke about the recruitment challenges in some services and gave assurance that a robust process was in place to approve and review temporary appointments.

The Chief Officer (Social Services) responded to comments on the appointment of a Children's & Safeguarding Solicitor who was a skilled specialist officer dealing with a range of complex legal issues. He referred to a number of temporary posts in his portfolio appointed through a co-ordinated approach to help manage demand for services, in particular in Children's Services. He spoke about actions being taken by the Council to improve recruitment and retention and highlighted the national shortage in roles such as Social Workers.

Councillor Bernie Attridge raised concerns about some of the costs quoted and asked about the approval process. The Chief Executive gave assurance on the robustness of the Council's policies and controls on the appointment and retention of agency workers. He said that the recruitment of a Solicitor to deal with increasingly complex caseloads required specialist skills to ensure the proper legal process was followed and mitigate any risks.

The recommendation was moved by Councillor Linda Thomas and seconded by Councillor Bernie Attridge.

**RESOLVED:**

That the report be noted.

**24. TREASURY MANAGEMENT ANNUAL REPORT 2022/23 AND TREASURY MANAGEMENT UPDATE QUARTER 1 2023/24**

The Corporate Finance Manager presented the draft Treasury Management Annual Report 2022/23 for review and recommendation to Cabinet. The Quarter 1 update on matters relating to the Treasury Management Policy, Strategy and Practices 2023/24 was also shared for information, along with the reporting cycle. In accordance with the usual process, a training session would be held for all Members on 8 December 2023 prior to approving the Treasury Management Strategy for 2024/25.

An overview was provided of key sections of the Annual Report including the impact of economic issues and interest rates during the period. The first quarterly review for 2023/24 provided an update on investments and borrowing activities.

In response to a question from the Chair on section 3.02 of the Annual Report, officers agreed to provide a separate response to the different figures for new debt shown in the tables of borrowing activity.

Sally Ellis asked about borrowing requirements to support the Capital Programme for the remainder of 2023/24. The Corporate Finance Manager said that in conjunction with advice from Arlingclose, the strategy to utilise short-term borrowing balanced with interest rates would continue and would be reflected in quarterly reports to the Committee. On a further question, he confirmed that the Internal Audit service assisted with treasury management activity.

The recommendations were moved and seconded by Sally Ellis and Rev Brian Harvey.

**RESOLVED:**

- (a) That the draft Treasury Management Annual Report 2022/23 be noted, with no matters to be drawn to the attention of Cabinet in September; and
- (b) That the Treasury Management 2023/24 first quarter update be noted.

**25. CERTIFICATION OF GRANTS AND RETURNS 2021/22**

Simon Monkhouse presented the Audit Wales annual report on grant claim certification for the year ending 31 March 2022 in which three claims had been certified to a value of £110.4m, two of which required amendment. The report summarised that the Council had demonstrated adequate arrangements for preparing its grants and supporting certification work, with scope for improvement as shown in the recommendations.

The main amendment was due to a typographical error on the non-domestic rates return (NDR) figure which had been raised by the Revenues team at the start of the audit. A minor adjustment to the Housing Benefit and Authority Tax Subsidy claim was required due to cell errors which were of low value and was attributed to the high volume and complexity of claims processing. This was also qualified for issues which could not be fully quantified. Testing by Audit Wales on previously reported errors identified a significant reduction in error types. In response to recommendations by Audit Wales, management responses had been agreed and progress was underway. One of the recommendations suggested that the Council may wish to explore an alternative approach to resolving ongoing system issues with Civica. It was also reported that a more centralised approach in Audit Wales would help with the timely delivery of NDR and teachers' pensions returns.

In response to comments from the Chair and Councillor Bernie Attridge on the timing of the report, explanation was given on the audit cycle for grant work which meant that the item was usually scheduled around March. The timing for this report had been impacted by resource issues and pressures in Audit Wales.

Sally Ellis asked whether collective approaches had been made to Civica to resolve the issues if the same system was used by other authorities. The Chief Executive was aware that officers across the region had reported the same issues to Civica and would pursue an update for the Committee.

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

**RESOLVED:**

That the content of the Grant Claim Certification report for 2021/22 be noted.

**26. ISSUE FROM THE JUNE MEETING**

Councillor Allan Marshall referred to his concerns raised at the previous meeting regarding telephone answering times. He had subsequently requested data on incoming calls which gave rise to further concerns about the number of abandoned calls. He requested the sharing of statistics on a regular basis to the appropriate forum to monitor performance. Councillor Marshall went on to suggest contributing factors and requested statistics on the number of employees who were working from home.

Councillor Bernie Attridge suggested that the Corporate Resources Overview & Scrutiny Committee may be the appropriate forum, with possible oversight by the Governance & Audit Committee.

The Chief Executive advised that this was in the remit of the Corporate Resources Overview & Scrutiny Committee but did not feel that it was part of the role of the Governance & Audit Committee. The Chair supported this view.

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

None.

The meeting started at 10am and finished at 11.55am

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**Chair**