

GOVERNANCE AND AUDIT COMMITTEE

27 SEPTEMBER 2022

Present: Gavin McArthur (Chairperson), David Price, Dr. Janet Wademan
Councillors Carr, Goodway, Lewis, Palmer, Waldron and Williams

23 : APOLOGIES FOR ABSENCE

Apologies were received from Hugh Thomas.

24 : DECLARATIONS OF INTEREST

No declarations of interest were received.

25 : MINUTES

The minutes of the meeting held on 19 July 2022 were approved as a correct record, subject to the following amendments:

Item 10 – 2nd paragraph – replace ‘tacking’ with ‘tackling’

Item 13 – final paragraph – delete

‘provide a split out audit report and include on the work programme. The Chairperson asked the Audit Manager to pick out some areas for the Committee to focus on for the next meeting.’

And replace with:

‘receive reports on the wider areas namely social services and schools.’

26 : DRAFT YEAR-END SELF-ASSESSMENT REPORT 2021/22 & UPDATE ON THE COUNCIL'S CONTROL ENVIRONMENT

The Committee received a report providing the Council’s draft Well-being (Self-Assessment) Report 2021/22 and the Chief Executive’s views on the Council’s Control Environment.

The Chairperson welcomed Paul Orders, Chief Executive, accompanied by Gareth Newell, Head of Performance and Partnerships, to the meeting. Following a brief statement, the Chairperson invited the Chief Executive to deliver a presentation.

The Chief Executive presented the report and an overview of both the draft Self-Assessment report and the Council’s control environment. Members were reminded that the scope of the report has been widened in recognition of the Committee’s requirement to review the draft annual Self-Assessment Report as a result of the Local Government and Elections (Wales) Act 2021. A key development of the new

legislation is the introduction of a comprehensive self-evaluation process within the authority that informs policy development and underpins measurement of service delivery.

Members were advised that the Committee plays a key role in ensuring that the authority is exercising its functions effectively; is using its resources economically, efficiently and effectively; and whether its governance arrangements are effective to secure these. The report therefore addressed the Council's performance and assurance frameworks, the arrangements in place to oversee and manage effectiveness and the draft year end self-assessment.

Members were asked to note the components of the Council's planning and performance framework, namely: identifying and agreeing what the Council wants to achieve; measuring and reporting progress; and identifying and agreeing actions to improve performance. An overview of the self-assessment process was also provided. Members were advised that the challenges identified in the report include financial pressures, workforce pressures, rising demand in Childrens Services, system pressures in Adult Services and recycling performance.

Members requested clarification of the process for the self-assessment report moving forward. The Chief Executive advised that the report would be presented firstly to Cabinet and then to Council in October. The Policy Review and Performance Scrutiny Committee would consider the report ahead of that cycle. In respect of the Governance and Audit Committee, a period of consultation would begin immediately and any comments from the Committee were requested by 7 October 2022.

The Chairperson opened the debate and invited questions or comments from Members of the Committee. Those discussions are summarised as follows:

- A Member questioned the format of the report and particularly in terms of its reference to 'performance requirements' as set out in the legislation. They asked what discussions there had been about interpreting what is meant by 'performance requirements for which Article 89 of the Local Government and Elections (Wales) Act 2021 sets out the three areas of performance that the report should address – that the Council is exercising its functions effectively; that it is using its resources efficiently; and that its governance is appropriate. The Member considered that the report before the Committee addressed the governance aspect comprehensively but it did not set out whether the authority was exercising its functions effectively or using its resources appropriately. Members were advised that the format of the report broadly reflects the format of well-being assessments across all authorities in Wales. The report is underpinned by a comprehensive evidence base which draws on service performance and financial challenges. Members were advised that the authority has consulted with Audit Wales in terms a sense check of the arrangements in place and the feedback received in terms of the interpretation of the legislation and the analysis provided by the report is appropriate.
- A Member asked whether the self-assessment has taken account of the views of local residents, businesses and trade unions and how that is reflected in the assessment. The Head of Performance and partnerships stated that the annual

'Ask Cardiff' survey feeds into the corporate plan and informs the discussions on performance planning and budget setting. There is a separate requirement in the Local Government and Elections (Wales) Act 2021 for a Consultation and Engagement Strategy. This will be brought forward within the next six months. The general interpretation around consultation on the annual well-being plan is that consultation throughout the year will feed into the process.

- A Member asked when performance assessment panel would be undertaken. The Chief Executive stated that an external peer review assessment will take place during the term of the current administration but there are various aspects of the process that will require clarification. The Chief Executive supported external peer review and the challenge it provides. An undertaking was given that the matter will be addressed in the future.
- A Member observed that the report did not contain a series of identified actions and recommendations arising from an overview of performance as they would expect. The Chief Executive stated that the report was an end of year assessment which will be followed by a mid-year assessment of performance in the current financial year which should provide a detailed statement in terms of current performance and actions that need to be taken forward, which will inform the budget setting process and the corporate plan for the new financial year.
- The Chief Executive agreed to reflect on comments made by the Committee regarding whether the Strategic Assessment sections of the report were balanced between description and performance evaluation.
- Responding to comments from the Committee, the Chief Executive considered that the way the Welsh Government has approached the parallel tracks of Welsh Future Generations Act and the performance legislation (Local Government and Elections (Wales) Act 2021) has been correct, requiring that the authority's performance obligations be integrated into the Future Generations framework.
- A Member noted that many objectives require cross organisational collaboration and so the "whole system". In terms of partnerships, the Chief Executive considered that there are partnership arrangements in place and the Council is demonstrating its commitment to the wider vision in place in the city. A partnership review is currently taking place on the effectiveness of partnership initiatives. The Head of Performance and Partnerships stated that Committee's comments on collaboration and engagement will inform the introductory section of the report. There is a statutory requirement for the Public Services Board to produce a new Well Being Plan in the new year. This will be consulted upon in the October. The Well Being Plan will focus on a set of issues that require partnership working.

- Members asked officers to comment on the cross-cutting challenges and key risks – where individual departmental risks have the same root cause – and whether the external factors may lead to changes in those challenges and risks. The Chief Executive stated that the report was a retrospective assessment. However, the seriousness of the financial challenges and risks facing the authority have increased considerably so budget planning is now more complicated and that will need to be reflected. This will be fully articulated in the mid-year assessment, including actions to address those challenges. The Chief Executive welcomed the important point raised regarding the ‘cross-cutting’ challenges being faced and these would be reflected upon.
- The Head of Performance and Partnerships stated that target setting, and monitoring performance is part of the corporate planning process. Some targets have been drawn out in the Well Being Assessment where issues have been identified.
- The Chief Executive confirmed that partnership working would include consultation with the trade unions on service priorities and, in particular, workforce issues.

The Chairperson thanked the Chief Executive and officers for the report. Members were asked to consider the report and forward any recommendations or comments to the Head of Audit. A further discussion would be arranged if required.

The Chairperson concluded that comments from Members had covered a considered need for clarity to be brought to a number of the conclusions in the report in terms of their objectives. It was also considered that there could be an emphasis on the consultative mechanisms used by the Council. It was highlighted to Committee that the latter point would be covered in the introductory section of the report which will be circulated to the Committee in due course.

RESOLVED – That the report be noted.

27 : COUNTER-FRAUD ANNUAL REPORT 2021/22

The Committee received the Counter-Fraud Annual Report 2021/22. The Audit Manager was invited to introduce the report.

Members were advised that Appendix A to the report set out the counter-fraud developments, campaigns, resources, work undertaken and collaborations that have taken place during the year. These activities are aligned with the Counter-Fraud and Corruption Strategy. The Audit Manager summarised the contents of the report.

Members asked how often weaknesses are revealed by counter-fraud measures and how long does it take for these weaknesses to be addressed. The Audit Manager stated that it was important to understand how fraud has occurred. Control issues

and actions will arise from that understand and this was an important facet of the process. In some cases, control measures are in place and these have identified that fraud has taken place. In other cases it may be considered that controls aren't effective enough or that they are effective but aren't being applied as designed. These will be addressed by senior officers in the service area.

Members also asked what activities were undertaken to inform the general public. The Audit Manager stated that fraud-awareness campaigns are centred on staff in order to protect the Council. As part of the application process for services, it is made clear to those members of the public applying what checks the Council will make to verify the legitimacy and eligibility of those applying.

RESOLVED – That the report be noted.

28 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, provided Members with a presentation on the Financial Update after which comments and questions were invited from the Committee. The presentation provided details of the considerations including the financial challenges facing the authority.

Members were advised that a projected overspend of approximately £7.4 million was anticipated at Month 4. The key variances were highlighted including overspends in Children's Services, Economic Development and Education. These figures presented excluded any figures arising from the annual pay award.

Members were asked to note the projected budget gap in 2023/24 which is likely to be exacerbated from the position reported in July 2022 due to a number of factors including the anticipated pay award and rising energy costs. Service changes and transformation were expected as a result of the challenges being faced.

Members sought clarification on the projected figure for the current year around final assumptions for pay increases, specifically in relation to 5% pay award recommended for teachers. The Corporate Director stated that the recommendation for teachers is built into the projections. To date, there has been no support in terms of funding indicated from the Welsh Government. The budget set an allowance for a 3% uplift for all NJC and non-teaching staff. The latest employer offer, if agreed, is significantly higher.

Members asked whether there were any mechanisms within the financial controls to drive forward the transformation needed, specifically in times of crisis. The Corporate Director stated that efficiency savings are being sought in service areas. Transformation and service changes are being sought wherever they exist, rather than by introducing targets. However, the significance of the challenges faced may mean that some areas may be targeted more than others.

RESOLVED – That the report be noted.

29 : CORPORATE RISK MANAGEMENT UPDATE

The Operational Manager - Information Governance, Transactional Finance and Programme Management, Dean Thomas, was invited to present the Corporate Risk Management Update report.

Members were advised that during Q1 there has been a focus on reviewing the Directorate Risk Registers to ensure that all relevant risks have been captured. The Risk Management Team have worked closely with Directorate Risk Champions to ensure risks identified reflect the current position.

The report has also taken account of comments made by the Committee at its meeting on 19 July 2022 to ensure that all actions noted for each corporate risk have either been completed or were in the process of being delivered. Each proposed action now has an estimated completion date or is highlighted where the action is ongoing.

RESOLVED – That the report be noted.

30 : TREASURY MANAGEMENT ANNUAL REPORT 2021/22

The Committee were asked to note the Treasury Management Annual Report. Comments were invited on the report prior to the report being submitted to Council.

It was highlighted that at 31 March 2022 investments stood at £226.4 million and external borrowing stood at £855.6 million, with £72.4 million of new borrowing and £27.5 million of scheduled repayments during 2021/22.

Members were also asked to note that there were no breaches of any of the treasury management prudential indicators for capital spend and treasury management activities during the year. The report includes a section on the resilience of the treasury management function based on previous feedback received from the Committee. An internal audit review had indicated no significant issues for the Treasury Management Team.

The report commented on emerging issues for 2022/23, including a review of the treasury management strategy and current capital programme initiatives.

Members asked whether consideration has been given to reviewing the existing Treasury Management Strategy and policy in light of the current financial context, for example, rising interest rates and the subsequent effect on borrowing and investments. The Committee was advised that the Treasury Management Strategy is primarily driven by the Capital Investment Strategy and the need to borrow is determined on those decisions and forms part of the budget setting process. The Strategy will be reviewed in the autumn and considered based on a number of factors, supported with advice from external advisors, taking account of affordability indicators.

Responding to a question from the Committee, officers confirmed that the 21st Century Schools Band B investment programme would be progressed. A large element of that programme is funded by the Welsh Government which will require

Council matched funding. New schools which form part of the programme are part of the 21st Century Schools financial model which is regularly reported to Cabinet.

RESOLVED – That the report be noted.

31 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

32 : CORRESPONDENCE

RESOLVED – That the report be noted.

33 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

34 : URGENT ITEMS (IF ANY)

No urgent items.

35 : DATE OF NEXT MEETING

The next meeting is scheduled for 15 November 2022.

36 : CORRESPONDENCE FOLLOWING THE COMMITTEE MEETING

The meeting terminated at 7.00 pm

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Chairperson