

GOVERNANCE AND AUDIT COMMITTEE

24 JANUARY 2023

Present: Hugh Thomas(Chairperson)
Gavin McArthur, David Price, Dr. Janet Wademan,

Councillors Carr, Goodway, Lewis, Moultrie, Palmer, Waldron
and Williams

66 : APOLOGIES FOR ABSENCE

No apologies for absence.

67 : DECLARATIONS OF INTEREST

Councillor Williams declared a personal interest in Item 4 as a member of his family works within the Education and Lifelong Learning Directorate.

68 : MINUTES

The minutes of the meetings held on 15 and 29 November 2022 were approved as correct records, subject to a number of typographical alterations.

69 : UPDATE ON EDUCATION & LIFELONG LEARNING DIRECTORATE CONTROL ENVIRONMENT

Councillor Williams declared a personal interest in this item as a member of his family works within the Education and Lifelong Learning Directorate.

The Committee received a report providing an update on the control environment within the Education and Lifelong Learning Directorate.

The report included comprehensive overviews of the Senior Management Team structure, school improvement framework, schools causing concerns, governance of the School Reorganisation Programme, risk management, internal audit and assurance. A summary of budget management and value for money was also included. The Committee requested specific updates on the management of school balances; systems to review the affordability of the 21st Century Schools Programme; and complaints handling.

The Chairperson welcomed Mel Godfrey, Director of Education and Lifelong Learning, to the meeting. The Director was invited to deliver a presentation.

The Chairperson opened the debate on this item. Members invited to seek clarification, raised questions or comment on the information received. Those discussions are summarised as follows:

- Members noted the large balances held by a limited number of schools. The Director was asked to comment. The Director stated that schools face an

exceptional budget position. The balances held are not necessarily solely predicated on funding from delegated school budgets received from the local authority. As a consequence of the pandemic some schools were able to secure grant support from the Government. Some schools are also very good at generating income. These schools are well-placed to provide additional support to other schools in Cardiff and across Wales. In terms of control, Officers within the Directorate work closely with colleagues in Finance to establish their spend profile set against their delegated budget. There are links with the schools at Director, Assistant Director and Operational Manager level specifically in terms of budgets.

- A Member noted that the Tertiary Education and Research Act (Wales) had recently received Royal Assent and this would bring school 6th forms under a new regulatory and funding regime. A Member asked what preparations and awareness raising had the Directorate made ahead of this regulatory change and to what extent were schools being assisted to prepare for this change. The Director advised that there was a continuous conversation taking place with colleagues in Welsh Government in order to understand, oversee and implement the new arrangements coming forward. Regular conversations are also being held with secondary schools. A framework for the implementation of the new requirements is in place and schools are prepared.
- In terms of Internal Audit, Members noted that 12 schools have outstanding actions, some of which date back to 2019/20. Members asked what reviews of school governance systems and frameworks occur and how is the effectiveness of those arrangements measured. The Director stated that it was important to understand the context within which schools have been operating for the past two years which resulted in stop/start school closures and partial school closures. Schools have been faced with the challenges presented by their pupils being at home for such an extended period. Nevertheless, Headteachers and Governing Bodies need to ensure that the right controls and mechanisms are in place. Members were advised that audit recommendations are regularly monitored, and the addressing of audit recommendations is an absolute priority. Additionally, the 'All Schools Risks' process will also address any outstanding audit recommendations, set against the context of any other issues occurring in schools.
- A Member asked to what extent governance and control frameworks for projects delivered by the 21st Century Schools Programme were dictated or required by Welsh Government, and whether the authority was departing from those guidelines/requirements. Members were advised that the 21st Century Schools Programme is a flexible partnership arrangement with Welsh Government providing the major share of funding. Welsh Government sets the priorities for the programme and the authority works within those parameters but takes decisions locally on the specific projects within the programme with a view to addressing need in the system.

- A Member asked whether the governance arrangements for the Central South Consortium would be subject to scrutiny. The Director advised that a Joint Committee consisting of the Lead Chief Executive, Lead Director and Cabinet Members for Education from the five constituent local authorities is the overarching control mechanism. Below that sits a further level of governance arrangements including a Management Board. In addition, there lies a host of other boards and management arrangements.
- The Director provided further clarification on a number of the points raised above. School Government arrangements are set out in statute legislation and the 'All Schools All Risks' process would provide a review mechanism for those arrangements. The legislation includes statutory provision for the LEA to intervene when certain conditions are met. The Director confirmed that the authority has not deviated from the Welsh Government's requirements for the 21st Century Schools Programme. The Central South Consortium undertook an independent review of its governance pre-pandemic. Estyn also undertake thematic analysis of school improvement arrangements across Wales.
- A Member noted that the Cardiff 2030 Strategy is due to be reviewed. A Member asked whether the Committee would have an opportunity to consider the refreshed strategy and whether the term covered by the strategy would move beyond 2030. The Director agreed to share the refreshed Cardiff 2030 Strategy document with the Committee. The Strategy was a 10-year vision, and the refresh intends to evaluate the strategy and get a sense of prioritisation in terms of its goals. Key to that would be distilling those priorities into a deliverable 3-year plan.
- In terms of demand for school places, Members asked whether there were any preventative measures to respond to demand for school places proactively, particularly in relation to demographics in the secondary school sector. The Director stated that a key priority for the department would be to improve its understanding of data. A significant amount of data is received, including Census data, but improvement is needed in the understanding of real-time data to ensure that the right number of places are provided in the right schools to address the challenge of learner needs. A Member supported the Department's moves to understand real time data and would welcome a further briefing specifically around this at a future meeting.
- A Member asked whether there was scope to 'flex' admission numbers in schools to ensure Value For Money across the City. The Director stated that Standard Admission Numbers for schools are set and there is limited opportunity to 'flex' those in extenuating circumstances. The Department also has to be mindful of the capacity of school buildings and the teaching resources available. Members were asked to note that there is an increasing demand to reduce class sizes in certain parts of the city as a consequence of the challenges resulting from the Covid-19 pandemic.

- A Member requested further details around the schools identified as a cause for concern and the measures that have been implemented to support those schools. Assurance was also requested that robust action would be taken where appropriate. The Director stated that school improvement partners would refer to such schools as 'school needing enhanced support'. In terms of the position in Cardiff, of 16 Estyn inspections, 1 school is in needs of significant improvement and 1 school is under review. The new accountability, improvement and evaluation arrangements from Welsh Government mean that the authority will be evaluated on the support provided to schools. The Department is acutely aware and focussed on the support provided. For example, the Director and both Assistant Directors met with the Head Teacher of a school that was under review following its Estyn inspection with the offer of support to address the recommendations made and to ensure that the correct support services are provided.
- A Member noted the significant number of improvements needed in the school estate. The Members sought assurance that, given the pressure on the capital programme, the backlog in capital investment in schools is being addressed holistically to ensure that urgent projects are prioritised. The Director stated that reactive maintenance is ongoing and these works are carried out where appropriate. Capital investment is finite and it was important to ensure investment is prioritised appropriately. As a result of the confines set priority is given to health and safety, safeguarding and more urgent repairs. Conditions surveys across the estate inform where best to make such investments over and above any reactive emergency repairs required.
- Members requested clarification on a point made regarding the Committee's statutory functions contained within the legal implications provided in the report. The Legal Advisor agreed to provide clarification following the meeting.

RESOLVED – That the report be noted.

70 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources and Section 151 Officer, Chris Lee, presented a financial update including resilience issues and the financial challenges facing the authority, including the current position, provisional settlement for 2023/24 and a budget modelling update for 2023/24

RESOLVED – That the report be noted.

71 : AW WORK PROGRAMME AND TIMETABLE UPDATE

RESOLVED – That the report be noted.

72 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Committee received a progress report providing an update on the work and performance of the Internal Audit and Investigation Teams from the Audit Manager, Chris Pyke. The progress report covered the period from 1 October – 31 December 2022.

Annex 1 of the report highlighted the performance in relation to the Internal Audit Plan. A summary of the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Governance and Audit Committee was provided. Members were asked to note that no 'unsatisfactory' audit opinions have been provided over the reporting period. Annex 2 focused on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises

The Audit Manager provided details of the ongoing external peer assessment being undertaken. It was anticipated that a report would be presented to the Committee at its meeting in March 2023.

Members requested further details on a number of audit findings which concluded 'insufficient with further improvement needed' and the steps being taken to address any shortcomings. The Audit Manager agreed to provide a summary briefing of the audit findings and an update position in addressing the recommendations. A Member requested assurance specifically on children's placements and pre-contract assurance for children's services.

Members requested further clarification on the feedback response rate for audits. The Audit Manager advised that the response rate is between 50% and 60%.

A Member asked whether mechanisms were in place to ensure that organisations the authority enters into contracts with have the relevant professional indemnity cover in place. The Audit Manager advised that in the case referenced in the report, there were mechanisms in place within the legal services framework for insurance to be verified periodically for those organisations to remain on the framework. The Audit Manager advised, that as part of wide pre-contract assurance work, internal audit and procurement have reinforced the importance of managers being assured that all relevant insurances are appropriately held before entering contracts.

Members noted the large number of schools with outstanding audit recommendations. Members asked whether an assessment of the extent to which schools are in compliance with the legal requirements their governance arrangement framework is including within the scope of audits and whether the framework is being effectively implemented. The Audit Manager stated that the Group Auditor leads on school governance and financial system controls. Test programmes have been developed and these are up-to-date with control requirements. The Audit Manager was confident that these will test all relevant governance areas.

A Member suggested that the detailed audit recommendations spreadsheet be made available to Members via alternative means in future, perhaps via Sharepoint. This was in the interest of limiting Committee papers to core content, and was agreed.

RESOLVED – That the report be noted.

73 : DRAFT INTERNAL AUDIT CHARTER AND SUMMARY AUDIT PLAN 2023/24

The Committee received a report providing Members with the Draft Internal Audit Charter for 2023/24, including a draft Committee Terms of Reference. The report also provided the Draft Summary Audit Plan for 2023/24.

Members were invited to comment on the Draft Charter and Audit Plan prior to the Committee agreeing the final versions at its meeting in March 2023. Members were asked to note that the Charter has been updated to reflect the Governance and Audit Committee's revised Terms of Reference, as amended in line with CIPFA and Welsh Government statutory guidance. The changes to the Terms of Reference were set out in the report.

A Member requested that the Audit Plan for 2023/24 included provision for the assessment of the compliance of school governance frameworks against legislative requirements and measures to review the effectiveness of those arrangements.

RESOLVED – That the report be noted.

74 : MID-YEAR SELF-ASSESSMENT REPORT UPDATE

The Committee received the Council's Mid-Year Assessment Report. Members were asked to consider the self-assessment process for developing the report and make any appropriate recommendations for improvement.

Members were advised that Mid-Year Assessment Report was approved by Cabinet on 19 January 2023 having previously been considered by the Policy Review and Performance Scrutiny Committee. A copy of the Cabinet Report, Half-Year Self Evaluation Report, Scrutiny Letter and Cabinet Response was provided with the report.

The Cabinet Report set out the self-assessment process followed in the production of the Mid-Year Performance Assessment and the evidence upon which the report's conclusions are based. The report summarised areas of progress and improvement, and also identified a number of strategic improvement priorities for Quarter 3 and Quarter 4, namely:

- Financial Pressures
- Demand Pressures in Children's Services
- Delivering a Partnership Response to Demand Pressures in the city's Health and Social Care System
- Responding to the Cost-of-Living Crisis

- Workforce Pressures
- Housing

The Chairperson welcomed Gareth Newell, Head of Performance, to the meeting. Gareth Newell provided a brief presentation.

Members were asked to note the findings and consider the self-assessment process for developing the report. The Chairperson requested that any commentary from the Committee on the self-assessment process and any recommendations for improvement be deferred until the Committee has had an opportunity to consider the performance framework, including the Mid-Year Self-Assessment and reporting process, at a briefing to be convened in Quarter 4.

RESOLVED – That the report be noted.

75 : DRAFT TREASURY MANAGEMENT STRATEGY 2023/24

The Committee received the draft Treasury Management Strategy for 2023/24 which is required to be approved as part of the Budget Report to Council in March 2023/24.

Members were asked to note the proposed Draft Treasury Management Strategy for 2023/24 and provide any comments as necessary to be considered as part of the final document.

The Chairperson invited Anil Hirani, Operational Manager, Capital, Corporate and Treasury to introduce the report. The Operational Manager stated that the Treasury Strategy and treasury activities focus on identifying key risks. The Treasury Strategy has regard to Welsh Government and CIPFA guidance. Reference is made within the Treasury Strategy to the Capital Strategy. Members were asked to note that, the Capital Strategy, is the process which drives the Capital Financing Requirement (CFR). A chart illustrating the past CFR and future trends was included with the Treasury Strategy.

The Strategy also provided details of the current investment and borrowing position and forecasted interest rates, along with details of the authority's approach to debt repayment. Members were also asked to note a new indicator required by CIPFA in relation to a liability benchmarking.

The Operational Manager advised that, in terms of the Investment Strategy, the focus remains on security, liquidity and yields and the criteria use remain unchanged and were set out in the report.

The Operational Manager considered that it was important to consider how the authority's borrowing requirement would impact on the Treasury Team in the future. There is a requirement to review the skills capacity capabilities of managing treasury activities. Following a move to borrowing requirement there may be a need to reflect upon the existing skill set within the Treasury Function in order to ensure that the borrowing requirement, and any risk, is managed.

RESOLVED – That the report be noted.

76 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

77 : CORRESPONDENCE

RESOLVED – That the report be noted.

78 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

79 : URGENT ITEMS (IF ANY)

No urgent items.

80 : DATE OF NEXT MEETING

The next meeting is scheduled for 21 March 2023.

The meeting terminated at 7.00 pm