

# Public Document Pack

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00  
pm

**PRESENT:** Mr. Andrew Blackmore (Chairman)  
County Councillor Peter Strong (Vice Chairman)

County Councillor: Ian Chandler, John Crook, Tony Easson,  
Malcolm Lane, Phil Murphy, Peter Strong, Laura Wright and  
Tony Kear

### **ALSO IN ATTENDANCE:**

Martin Veale, Lay Member  
Colin Prosser, Lay Member

### **OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Charlotte Owen	Audit Wales Officer
Richard Jones	Performance Manager
Jonathan Davies	Head of Finance
Rachel Freitag	Audit Wales Officer

### **APOLOGIES:**

None

#### **1. Declarations of Interest**

No declarations of interest were made.

The Chair welcomed County Councillor Tony Kear to his first meeting and also congratulated Jonathan Davies upon his appointment as Head of Finance.

#### **2. Public Open Forum**

No members of the public had notified an intention to speak.

#### **3. To note the Action List from the previous meeting**

The action list from the previous meeting was noted.

1. Key Collaborations: The Performance and Data Insight Manager provided an update that a draft list identifying key collaborations has been shared with the Internal Audit Team and the Strategic Leadership Team. Internal Audit will use a sample from the list to examine the effectiveness of oversight of the collaborations. It was agreed these aspects will be reported upon in two parts a) the collaborations (at the next meeting) and

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm

- b) the outcome of Internal Audit's review of effectiveness. Forward Planner to be amended accordingly. [ACTION OPEN]
2. Provision of fraud figures: An e mail with the information was circulated to Committee Members. [ACTION CLOSED]
  3. Statement of Accounts: The Head of Finance reported that work is in progress to bring the audited statement of accounts back to Governance and Audit Committee in January 2023. Revisions to the statutory deadline to the end of January are expected. Audit work is progressing well and nothing significant has been flagged so far. [ACTION OPEN]
  4. 20mph Speed Limit: It was explained there is no opportunity to carry forward unspent Welsh Government grant funds. However, Welsh Government provides funding each year for councils to submit bids to secure funding for specific schemes. If there is slippage in specific schemes and there is unspent money, this may be allowed to continue in the next year's allocation. [ACTION CLOSED]
  5. Audit Wales Springing Forward Report: The Chair met with the Deputy Chief Executive (DCE) and Chief Internal Auditor and will make some firm proposals regarding the Forward Work Programme for further discussion.

The DCE referred to the risk register and the need to distinguish between what items fall within the scope of the Governance and Audit Committee and any overlaps with the Performance and Overview Scrutiny Committee. The approved Corporate and Community Plan puts in place the policy framework for the council. Enabling strategies are updated in line with the five-year administration term of the new Council and will undergo scrutiny prior to consideration by Cabinet/Council. The DCE expressed the view that the scope of the Governance and Audit Committee is to seek comfort on broader governance arrangements.

Regarding the Corporate and Community Plan, a more holistic report was suggested that will provide a line of sight and reassurance for the overall enabling strategies surrounding the Plan. Assurance is provided on the performance framework and a similar report on how the policy framework is working can be provided. A discussion between the Chair and the Chair of Performance and Overview Scrutiny Committee was suggested.

A Member asked about progress with the Corporate and Community Plan and was informed that that the intention is to bring a more detailed plan to Council in January 2023.

A Member observed that ensuring risks are managed and detailed examination are core elements to the role of the Committee. It was commented that long waits for strategies reflect uncertainties about the organisation. It was also commented that it should not be assumed that Lay Members are furnished with the same information as Elected Members.

A Member queried the people and asset strategies as matters arising from the Audit Wales Springing Forward report. It was responded that Audit Wales reports are scrutinised by the committee best placed to scrutinise according to topic on a case by case basis.

Scrutiny arrangements: [ACTION OPEN]

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm

6. Whole Authority Strategic Risk Assessment: The Performance and Data Insight Manager will provide a presentation on the authority's approach to risk management at the January meeting. [ACTIONS 1 & 2 CLOSED]  
  
It was explained that Risk 13 was subsequently revised to "High" on agreement with the risk owner. [ACTION 3 CLOSED]
7. Management of Cyber Security: The information was securely shared with Committee Members following the last meeting. [ACTION CLOSED]
8. Vetting of Key staff: The Deputy Chief Executive will contact Colin Prosser after the meeting. [ACTION OPEN]
9. Route of referral for bribery, fraud and corruption concerns: The Chief Internal Auditor provided an update that the anti-bribery fraud and Corruption policy was circulated today to all members with a list of who the main contacts are if any members, officers or members of the public have concerns. A Member queried if all Members had been circulated with the policy, not just Members of the Governance and Audit Committee. The Chief Internal Auditor will address this matter. [ACTION CLOSED]
10. Strategy for medium term sustainably: The Head of Finance was thanked for providing Lay Members with a presentation on the medium-term financial strategy, budget and recovery plan. The Deputy Chief Executive confirmed that the medium-term financial strategy will be presented to Governance and Audit Committee in the new year. This item is already on the Forward Work Programme. [ACTION CLOSED]
11. Audit Wales Work Programme: Lay Members have received a presentation on the medium-term financial strategy. An e mail was also circulated by the Head of Finance today. [ACTION CLOSED]

#### **4. 2022/23 Mid-Year Treasury Management Update**

The Head of Finance presented the 2022/23 Mid-Year Treasury Management Report. Following presentation of the report, questions were invited:

A Member asked about unrealised Capital losses of c£500,000 and queried if that would be a problem in the future. If the authority was to sell assets, there would be more shortfall than £500,000 also properties have just been valued. It was queried if this would increase the deficit or help the valuations. It was explained that this is an externally managed pooled fund investment and as such would be continuously valued by the markets. In terms of capital losses under the current Welsh Government regulations, it is allowable to carry losses on the balance sheet year on year without impacting on the income and expenditures account which would then impact upon Council taxpayers. The regulation is currently renewed every year. There would be no impact on the revenue account until those funds were disposed of.

A Member asked about the £476,000 capital loss; if it was a temporary dip in the value of the property funds or reorganisation of bought shares. It was confirmed that these are pooled funds, that are exposed to temporary movements in equity markets and property funds that are externally managed working closely with our treasury advisers.. The £4million investment in pooled funds is balanced against other lower risk investments and should be regarded as a long-term investment. Reference was also made to the requirement to hold £10million worth of cash balances under the MiFID regulations to retain our status in the treasury markets.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm**

A Member asked about the level of comfort with the £4million investment because of the 4.5% rate of return and questioned if there were any plans to increase investment in pooled funds. It was responded that, in consultation with our treasury advisers, this had been considered however uncertainties arising from the pandemic and Russian /Ukraine hostilities paused any plans.

Regarding CIPFA codes, it was confirmed that consideration is being given to defer reporting quarterly to this Committee and instead provide more streamlined reports or focus on specific areas of treasury performance.

In response to a question, the Head of Finance clarified that EIP stands for Equal Instalments of Principal and the difference in rates reflect the turbulence in the market this year.

The Chair summarised that he looked forward to a revised treasury strategy and would like to understand some more about the overall governance arrangements, the size, capability and capacity of the in-house treasury team and the relationship with the treasury advisers.

As per the report recommendations, the Committee has reviewed and commented on the treasury management activities for the first six months of 2022/23, and notes that all treasury and prudential indicators set as part of the Treasury strategy approved by full Council have been adhered to during the period.

#### **5. Q2 Progress Report for 6 months 2022/23**

The Chief Internal Auditor presented the Q2 Progress Report 2022/23. Following presentation of the report, questions were invited from Committee members:

A Member expressed concern about staffing vacancies and consequent ability to deliver the annual audit plan fully and to the required standard. It was confirmed that one of the vacancies is being covered through an external internal audit provider.

Regarding key performance indicators, it was noted 68% of recommendations made were accepted by the clients. It was explained that this is a timing issue where recommendations, and when they have been accepted, have been recorded at the draft stage instead of final report stage, so this figure is likely to be incorrect and will be resolved in the next quarter report.

A Member queried the continuing high category of PTU maintenance. The Chief Internal Auditor advised that this related to a follow-up report issued in the first six months. It has been given a Substantial assurance opinion indicating a significant improvement from the previous audit and "High" is an internal audit risk rating. The report covers public transport and school buses. A question was asked about the mix of older and newer buses, as there seems to be many old buses in the South of the County and this will create more maintenance problems. It was suggested that the service manager would be the best point of contact here. The centralisation of decision making around the Fleet, plus local, regional and national considerations forms a broader piece of work (e.g. decarbonisation will have an effect on the mix of older and newer buses).

The Member also queried the High category of Health and Safety of Buildings for a long period. It was responded that the internal audit risk assessment was assessed as "High" because of the need for a follow-up audit.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm

The Chair summarised the Committee's concern about the staffing situation but was reassured by the actions taken. In response to a question, the Chief Internal Auditor said, based on the first 6 months, he was quite confident as the opinions issued to date were positive and there are more "Substantial" and "Considerable" than "Reasonable" opinions with no limited opinions as yet. Work is prioritised to pick up high-risk audits and there are currently no significant issues emerging. He noted that the number of audits may dip from Q3 (so fewer opinions) but the quality will be unaffected.

#### **6. Update on Unfavourable Internal Audit opinions**

The Chief Internal Auditor presented an update on Unfavourable Internal Audit Opinions. Following presentation of the report, questions were invited from Committee Members:

In response to a question, the Chief Internal Auditor explained the reasons for time lapses in carrying out follow up reviews being due to Covid and the inability to visit schools and Tintern Old Station but also agreed that they should have been included in the plan earlier. The follow up reviews will be undertaken in Quarter 4.

The recommendations in the action plans were agreed with the Headteachers/Head of Service and the follow up will confirm if they have been implemented or not. In the interim period there is no indication of progress. The final report is sent to the Headteacher/Head of Service and Chief Officers who will have processes in place to ensure that action plans are addressed in the interim. It was commented that e.g. the Finance Team in CYP will be aware of the action plan recommendations. To provide some assurance, it was suggested that there should be a written submission from the managers to update on progress with the action plan in the interim. The Committee was reminded that there is an annual report on the forward work planner that covers progress on implementation of recommendations. The Chief Internal Auditor attends Strategic Leadership Team meetings to discuss the governance annual governance statement and limited audit opinions. Work is in progress to automate elements of the internal audit process.

The Chief Internal Auditor agreed to resend the report out to Headteachers/Head of Service requesting an update on progress to implement recommendations.

A Member asked about the follow-up process when a Reasonable level of assurance is given and was informed that the internal audit team checks whether significant and moderate recommendations have been implemented. If there are concerns, then these are included in the audit planning process. Generally, a Reasonable or above opinion is favourable and would be added to the audit cycle planning process and risk assessed annually. If recommendations for a Reasonable opinion have not been implemented, a subsequent audit may be reprioritised.

The Committee considered the report recommendations as follows:

1. Noted the improvements made by service areas following the original **Limited** assurance audit opinions issued.
2. Agreed that if the Members of the Governance & Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.
3. Noted that, given that Members have already called in the Head of Service and service managers for Concessionary Travel and Fleet – Health & Safety & Driver Management having **Limited** assurance opinions in 2021/22, the Chief Internal Auditor is not recommending any further call-ins at this stage.

## **MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of Governance and Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00  
pm**

### **7. The Ombudsman's Annual Letter (2021/22)**

The Customer Relations Manager presented the Ombudsman's Annual Letter (2021/22). Following presentation of the report, Members were invited to ask questions:

A Member commented on the low number of complaints and secondly, asked what had been learnt from complaints that were upheld to ensure no recurrence. It was explained that the number and type of complaints and resulting action will be reported in February. It was also confirmed that the Ombudsman's details are included in the letter following a stage 2 investigation.

It was confirmed that the Ombudsman's request for feedback on the Governance and Audit Committee's review of the policy's ability to handle complaints effectively will be considered when the annual report is received at the February meeting.

A Member queried the difficulty in reconciling an Ombudsman's finding with a complaint received and whether the complaints procedure can be by-passed. It was explained that with Stage 2 investigations, the Ombudsman will contact the Council with anonymised details. Normally the complainant will be re-directed to contact the Council.

The figures of 20 or 21 complaints were queried and it was responded that it is difficult to explain the figures but they may refer to the two early resolution and voluntary settlement complaints; currently only one can be identified.

It was commented that Monmouthshire appears to have performed very well in comparison with other authorities in Wales.

In line with the report recommendations:

1. Governance and Audit Committee noted the content of the Public Sector Ombudsman for Wales (PSOW) annual letter (Appendix 1) and informed the PSOW of their considerations and any proposed actions. The PSOW has been informed that due to the scheduling of meetings there would be a delay in responding to them by their respective date. They accepted this.
2. That the authority continues to engage with the PSOW complaints standards work, access training for staff and provide the PSOW with complaints data. We have also fully implemented the PSOW's model complaints policy.

### **8. Annual Review of the Investment Committee**

The Deputy Chief Executive and the Development Manager (also covering Head of Landlord Services role) presented the Annual Review of the Investment Committee. Following the report, questions were invited:

A Member questioned the lack of options appraisal in the request to endorse a change in direction for governance arrangements and, constitutionally, how any new investment decisions will be made. The Member also queried the new regulations on borrowing for yield and annual review of existing investments for yield. In response, it was agreed that options appraisal will be included in the report to Council. It was explained that the Investments Committee was

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm**

established with the intention to delegate a significant level of borrowing to deliver policy objectives and deliver yield.

Public Works Loan Board guidance infers that access to loans should not be made where significant modifications are to be made to existing commercial investments. It is important to consolidate existing portfolios maintained to the required standard.

A Member asked about the Broadway investment for rural broadband in hard to reach areas with wireless and wired access which changed to hardwired only. It was queried if the likely impact of the change in investment had been assessed and how progress is being monitored. It was explained that there are three investments referred to in the report: Broadway, Newport Leisure Park and Castlegate Business Park. The Broadway project involved a £1.9million commercial loan with Broadway Partners based on a policy decision reflecting that Monmouthshire had not benefitted from the Superfast Cymru rollout on an equal footing with the rest of Wales. This was due to the rurality of the County; the County was at 70% of the threshold of 30Mb+ speeds where other parts of Wales were at 95%+.

The commercial loan was predicated on four tranches of investment being released; each tranche triggered by meeting conditions. To date two tranches have been released. Credit facilities were made available due to the delays in receiving the funds from DCMS vouchers from UK Government on condition that the vouchers had been secured.

After this agreement, Broadway entered into negotiations with a Fibre Broadband market financier and attracted a significant amount of investment; a good proportion destined for Monmouthshire. The company has also changed its direction with the founder undertaking a new role and appointing a new chief executive. The Council will have to consider further release of investment or whether to recall the first two tranches of investment; discussions are in progress. In the interim, the credit facility has been made good and loan repayments are being made and the Council is receiving market rate interest on the commercial loan. The UK Government has moved to vouchers and funding for companies to invest in full fibre broadband. This will benefit Monmouthshire and the number of properties without the requisite connectivity has reduced from 11,000 to 2,000. The Council's digital infrastructure plan will consider what it can/cannot do to reach the remaining 2,000.

A Member was concerned about the Newport Leisure Park and questioned if this asset might be better dealt with by the Investment Committee prior to its conclusion. An overview of Newport Leisure Park and Castlegate Business Park was provided. Castlegate was acquired in 2018 and the property was largely occupied by Mitel accounting for about 60% of the occupied space. A break clause was exercised in March 2022 creating a significant void to fill and a detailed marketing strategy commenced. In July an existing tenant (Wunda Group) expanded into 90,000sqft of the 138,000sqft vacated by Mitel. Ongoing live enquiries continue to reduce the remaining voids.

Newport Leisure Park was disproportionately affected by the consequences of Covid as most of the tenants were unable to trade for a period. Welsh Government's Covid hardship fund offset any rental losses that occurred for the for that period and now most tenants are back trading. Arrears have been settled with only two tenants with overdue rent for which negotiations are in hand. Planning approval has been granted for the letting of the former Frankie and Benny's unit to the Magic Bean Company (Starbucks). Unit 4 (formerly Pizza Hut) is the only vacant unit. Two prospective tenants are progressing terms. Despite recent news on Cineworld declaring bankruptcy in the United States, publicity has been issued that describes the UK situation as a company restructure with the impact to be borne by their shareholders and not by their

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm**

customers or landlords. Two rental invoices have been paid in full and on time. The situation will be closely monitored.

As per the asset policy, the investment committee was asked to comment on whether these assets should be retained or disposed of should they fall below the target two percent return on investment. This was debated at Investment Committee and considering the impact of Covid has been significant, there remains a reasonable prospect of securing new tenants as evidenced by the lettings mentioned and there is a likelihood of return to the targets established by the asset investment policy. It was agreed both assets would be retained. Work to fill the voids would positively impact on the capital value of the asset should the Council wish to consider disposal.

As per the report recommendations:

1. The Committee has considered and scrutinised the performance review of the investment committee;
2. The Committee has reviewed progress against the investment proposals that were previously agreed by this committee and resulting from recommendations arising from the previous audit reports;
3. The Committee was satisfied with the verbal updates;
4. The Committee is content with the principle of dissolving the Investment Committee and to pass some elements of responsibility to the Performance and Overview Scrutiny Committee; details to be provided in a further report.
5. The Committee continues to assure itself that controls in place to maintain and monitor the Investment Portfolio remain as robust and appropriate.
6. Any future investment activity is subject to appropriate decision-making protocols as laid out in the Constitution noting that there will be further definition in due course.

#### **9. Audit Wales Work Programme and Timetable Q2**

The Audit Wales Officers provided an update on the Audit Wales Work Programme and Timetable Q2 and provided verbal updates to bring the information up to date.

It was added that one change to performance audits since the end of September is the unscheduled care review looking at discharge from hospitals from both health and social care aspects. The fieldwork is mainly completed with some final interviews in December and a draft summary will be sent out in the new year. Also the assurance and risk assessment workshop will be held in early February.

An update was provided that the audit of accounts report was not on today's agenda as some national issues remain unresolved. The audit is progressing well with most of the work complete with no significant issues evident other than the two national issues that impact all local authorities concerning valuation of property assets (this is close to resolution) and infrastructure assets. Welsh Government has proposed a statutory override to temporarily address the issue pending a permanent solution. When in place it will be possible to move the audit of accounts forward.

Work is ongoing on the Welsh Church Act Fund, Monmouthshire Farm School Endowment Trust and certification of grants claims and returns.

The Head of Finance agreed it was disappointing the process has been delayed as it makes analysis of timely information difficult. The draft accounts were published in August for the public to view. The national issues are disappointing and have delayed the audit process shortening

## MONMOUTHSHIRE COUNTY COUNCIL

### **Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th November, 2022 at 2.00 pm**

the window for accounts closure for the current financial year. The necessary information has been provided to Audit Wales and the valuations have been accepted. The infrastructure assets involve an adjustment to the notes in the accounts and should not affect the primary statement.

A Committee Member noted that the council's approach and the process of calculating the infrastructure assets hasn't changed from one year to the next. It was questioned when Audit Wales first became aware that this was a significant issue, and when the Governance and Audit Committee was briefed on the issue. It was explained that the matter was uncovered during quality assurance reviews in England in the early summer and the Committee was notified in April/May. All authorities are in the same position and the additional pressure being created was acknowledged.

The Chair asked for information about Corporate Joint Committees and was informed that Welsh Government has brought in legislation to give four regions in Wales power to create corporate joint committees to preside over strategic transport, strategic planning and strategic economic growth. The CJs are inactive while Welsh Government and UK Government discuss tax exemptions. The Cardiff Capital Region will continue until some of the barriers are removed. It was confirmed that the effective Cabinet on CJs will consist of the Council Leaders of each authority.

A Member suggested that Audit Wales should look at the governance surrounding CJs

Asked about local risk-based projects, the Audit Wales Officer confirmed that all of the local risk-based pieces of work are up to date. A risk assessment workshop in early February will plan the work for next year including local risk-based work and will feed into the audit plan for 2022/.23. It was suggested that early sight of local risk-based projects would be welcomed.

#### **10. Governance and Audit Committee Forward Work Plan**

The Forward Work Planner was noted.

#### **11. To approve the minutes of the previous meeting**

The minutes of the previous meeting were approved.

#### **12. To note the date of the next meeting as 26th January 2023 at 2.00pm**

**Meeting ended at 4.56 pm**

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