

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at County Hall, Usk - Remote Attendance on Monday, 28th February, 2022 at 2.00 pm**

PRESENT: Mr. P White (Chairman)
County Councillor J. Higginson (Vice Chairman)

County Councillor: A. Easson, M.Lane, P. Murphy, V. Smith,
B. Strong and J.Watkins

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Charlotte Owen	Audit Wales Officer
Emma Davies	Performance Officer
Richard Jones	Performance Manager
Jonathan Davies	Acting Assistant Head of Finance
Rachel Freitag	Audit Wales Officer
Matthew Gatehouse	Head of Policy and Governance

APOLOGIES:

None

1. Declarations of Interest

No declarations of interest were made.

2. Public Open Forum

No members of the public were present.

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

The action list from the previous meeting was noted. In doing so an update was provided as follows:

- The Anti Bribery Risk Assessment will be considered at the meeting on 31st March 2022.
- The Governance and Audit Committee Review is on today's meeting agenda.

4. Overview of Performance management arrangements

The Performance Manager introduced the report providing an overview of the Performance Management Arrangements. Following presentation of the report, questions and comments were invited:

The Chair noted welcomed the timely report as it sets out the performance management arrangements following the introduction of the Local Government and Elections (Wales) Act

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2021. It was confirmed that the Council is responsible for annual self-assessment of its performance management arrangements. Additionally, a Panel Performance Assessment will be held once per electoral cycle using external experts. Both elements will include assessment of a wide range of evidence plus external views from e.g. Auditors, regulators, and inspectors.

Referring to the recommendations, members used the update provided to inform their understanding of the effectiveness of the operation of the authority's performance management arrangements and to identify any areas where they feel action needs to be taken or further information provided.

5. Audit Wales Annual Audit Summary

The Audit Wales Officer introduced the Audit Wales Annual Audit Summary. Items 6 and 7 were considered together. The Wales Audit Officer thanked the Council's officers for their co-operation and support over the course of the year.

6. Audit Wales Proposals for Improvement - Progress Report

The Performance Officer introduced the Progress Report on Audit Wales' Proposals for Improvement. As this and the previous item were considered together, questions and comments were invited on both at this point,

The Chair observed that Appendix 3 had some closed proposals for improvements and gave the example of Child Poverty that listed implementation of policy changes. He speculated that this is an ongoing matter, and asked what the plans were to monitor improvement and the status of closed proposals generally.

It was responded that Audit Wales can return to undertake follow up reviews on work they have covered previously. The Environmental Review and the Leisure Services Review are follow-up reviews by Audit Wales to check progress. Internally, all information on proposals for improvement are contained in service business plans so that services can monitor progress and make adjustments.

A Member queried the Audit Wales statement that Monmouthshire has none of the 10% most deprived areas in Wales and questioned the criteria used. The Member was referred to the Welsh Government website Welsh Index of Multiple Deprivation tool: <https://wimd.gov.wales/>.

The Performance Manager provided context that, in addition to the above tool, data analysis for the social justice strategy and the poverty and inequality action plan provided a more comprehensive understanding of areas of poverty and what support is required.

Considering the report recommendations, Members scrutinised the Council's response to the Audit Wales work programme, and sought assurance that adequate progress is being made.

Members considered referring on any issues contained within Audit Wales national studies to other committees for consideration where they identify there are findings of particular relevance to the council.

7. 2022/23 Capital Strategy and 2022/23 Treasury Strategy

The Acting Assistant Head of Finance presented the report on the 2022/23 Capital Strategy and 2022/23 Treasury Strategy. Following presentation of the report, Committee Members were invited to ask questions and comment.

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The Cabinet Member for Resources commented on the likelihood of reduced capital receipts and queried the borrowing strategy referring to the additional £20mn (longer term loan) borrowed in view of interest increases. It was confirmed that, in December, we took advantage of a dip in PWLB rates. The loan provides some certainty over revenue budgets in the medium term. Interest rates are monitored and borrowing is a well-balanced mix that helps to limit our exposure to interest rate rises.

The Chair noted that forecasted expenditure on schools is negligible after 2022/23 and queried if this is because future development is undecided. It was explained that the authority is currently engaged in the development of a 3 -19 school in Abergavenny. Future investment depends on funding from Welsh Government.

Reviewing the recommendations, the Governance & Audit Committee considered and endorsed for onward circulation and approval by full Council the draft Capital strategy for 2022/23 as found at Appendix 1.

The Governance & Audit Committee considered and endorsed for onward circulation and approval by full Council the draft Treasury management strategy for 2022/23 as found at Appendix 1, including the:

- 2022/23 Minimum Revenue Provision Policy Statement
- 2022/23 Investment & Borrowing Strategies

The Governance & Audit Committee will continue to review the Council's treasury activities on behalf of the Council by receiving the mid-year treasury management report and year-end report.

8. Assessment of the robustness of the budget process and adequacy of reserves.

The Deputy Chief Executive, Chief Officer, Resources and s151 Officer and the Acting Assistant Head of Finance introduced the Assessment of the Robustness of the Budget Process and Adequacy of Reserves Report.

Referring to each of the recommendations in turn Committee Members were invited to comment and ask questions.

Recommendation 1: A Member was pleased to see that reserves levels are positive but asked about school reserves, in particular Chepstow School that has a deficit circa £330,000 with just one other primary school with a deficit budget. He enquired if there was a robust recovery plan in place for Chepstow School. It was confirmed that Chepstow School had a robust recovery plan in place and the deficit should reduce further by the end of this year with further reduction planned over the next two years. The Cabinet Member for Resources and the Cabinet Member for Children and Young People have also sought reassurance about a recovery plan.

The Cabinet Member for Resources commented that use of Capital receipts to bolster the revenue budget for service redesign items will be addressed as this is not a sustainable practice.

The Governance and Audit Committee scrutinised and endorsed the RFO opinion on the robustness of the budget process and adequacy of reserves (appendix 1), and that in turn allows for a verbal update to be provided to Cabinet on 2nd March and Council on 3rd March as required.

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Recommendation 2: The Deputy Chief Executive clarified that the forecasted use of reserves in the medium term is based on what is known and as the budget process and medium-term financial planning evolves changes could be expected. The changes would be reported to Committee for consideration.

The Governance and Audit Committee noted the forecasted usage of reserves for 2022/23 and for future years as summarised in table 1 of this report and detailed in appendix 2.

Recommendation 3: The Deputy Chief Executive added that, notwithstanding the uplift in school balances, the general pattern of decline in school balances over time still causes an underlying issue of schools operating beyond their means and the Committee should bear this in mind.

The Governance and Audit Committee noted the extent of forecast improvements in school balances summarised in table 2 and detailed in appendix 3 which is informed and driven by the extent to which significant and unprecedented late grant support provided by Welsh Government to schools at the end of 2020/21 exceeded the impact of school investment plans, and notably further receipt of unbudgeted Welsh Government grant support received at the end of 2021/22.

Recommendation 4: With no further comments or questions, the Governance and Audit Committee acknowledged the restoration of general and earmarked reserve balances over the administrative term of this Council and that has enabled balances to be stabilised in line with the reserves protocol approved by Cabinet in 2015, albeit in light of risks that remain over the medium term which to the extent that they cannot be mitigated will draw further on limited one-off reserve and useable capital receipt balances.

Recommendation 5: The Deputy Chief Executive reminded members that the budget strategy for 2022/23 includes a number of material and significant risks relating to homelessness, adult social care, leisure centre income etc. We must be aware of significant specific grant funding received late in the year from Welsh Government. With the budget recovery plan, this means the in-year position has moved from deficit to surplus. This has enabled the final budget proposals and anticipated ability to further replenish reserves to cover the known and likely risks thus reducing the potential need for immediate budget recovery action. The Cabinet Member for Resources drew the attention to the potential for wage bill increases. Allowance has been built in for what is anticipated but any further unknown increases will have to be managed.

The Governance and Audit Committee noted the current reserve strategy and approach that looks to ensure that reserve cover is put in place for budgetary risks remaining for 2022/23 and from a forecast under spend for 2021/22.

Recommendation 6: The Governance and Audit Committee noted that the Council Fund balance sits in the middle range of the 4% to 6% indicator and which is considered by the Council's S151 officer to be at an acceptable and prudent level.

Recommendation 7: The Governance and Audit Committee had regard to declining useable and one-off capital receipt balances that continue to support the Council's capital maintenance and investment plans, and most recently used to meet revenue costs associated with service reform under WG guidance (appendix 5 and 6).

Recommendation 8: The Governance and Audit Committee noted that current usage of useful capital receipts is not sustainable and to the extent that balances are depleted Council will need to have recourse to unsupported borrowing to finance its future capital plans and to the extent that other grants and contributions are not available.

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Recommendation 9: The Governance and Audit Committee requested that a review of the reserves policy is undertaken and brought back to Governance & Audit Committee for consideration before being considered for adoption by Cabinet subsequent to 2021/22 outturn and in readiness for the budget strategy and plan for 2023/24 and over the MTFP period.

Recommendation 10: The Governance and Audit Committee requested that consideration is given to strengthening compliance with CIPFA's Financial Management (FM) Code and over which the committee needs to preside.

9. Whole Authority Annual Complaints Report

The Customer Relations Manager introduced the Whole Authority Annual Complaints Report. Following presentation of the report, questions and comments were invited from Committee Members.

A Member welcomed the very comprehensive report and was surprised that there were not more complaints during the exceptional circumstances due to Covid 19.

Considering the report recommendations, Members used the report to seek assurance about the effectiveness of the authority's processes for dealing with complaints and compliments.

10. Governance and Audit Committee Review

The Deputy Chief Executive introduced the Governance and Audit Committee Review Report.

It was added that there is an opportunity to identify an appropriate means for the Chair to keep abreast of Select Committee Programmes and Council business going forward (similar to the previously established Co-Ordinating Board). Following presentation of the report, members were invited to comment and ask questions.

The Chair expressed his view that the relationship between the Governance and Audit Committee and the new Scrutiny Committees needs to be taken into consideration in future decisions.

As per the recommendations contained in the report:

1. Members of the committee acknowledged the changes brought about by the Local Government and Elections (Wales) Act 2021 in so far as they impact on the Governance and Audit Committee and as outlined in the report.
2. The committee endorsed the further considerations proposed that look to further strengthen the effectiveness of the committee going forward, and that have resulted from the latest self-assessment by members of the committee and the subsequent overarching review undertaken.
3. The Committee requested that the constitution is amended to reflect these changes, to take effect at the next Annual General Meeting in May.

11. Internal Audit Progress report - Quarter 3

The Chief Internal Auditor introduced the Internal Audit Progress Report for Quarter 3. This is a regular report to provide assurance on the adequacy of the internal control environment, the

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governance and risk management arrangements. The report also covers the performance of the Internal Audit Team.

As a result of the pandemic , the team was redeployed to other tasks (Track, Trace and Protect, and also the Anti -Fraud for Government Grants) and this impacted upon the ability of the team to carry out the Audit Plan.

Following presentation of the report, Members were invited to ask questions.

A Member asked if the member of staff who left had been replaced. It was confirmed that the Auditor was replaced and started in November 2021. The Audit Manager post will be advertised shortly.

As in the recommendations, the Committee noted the audit opinions issued and noted the progress made by the Section towards meeting the 2021/22 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year.

12. Governance and Audit Committee Forward Plan

The Forward Work Plan was noted.

The Governance and Audit Committee Review progress report will be presented after the election period.

13. To confirm minutes of the previous meeting

The minutes of the previous meeting were confirmed as a true record.

14. To confirm the date of the next meeting as 31st March 2022 at 2.00pm

Meeting ended at 3.48 pm