



RHONDDA CYNON TAF COUNCIL GOVERNANCE AND AUDIT COMMITTEE

Minutes of the hybrid meeting of the Governance and Audit Committee held on Tuesday, 9 November 2021 at 5.00 pm.

County Borough Councillors:

Councillor G Davies	Councillor J Cullwick
Councillor M Adams	Councillor K Jones
Councillor M Norris	Councillor J Barton
Councillor S Rees	Councillor E Webster
Councillor R Williams	Councillor M Griffiths
Councillor S Trask	

Lay Member: Mr C Jones

Officers in attendance

Mr C Hanagan, Service Director of Democratic Services & Communication
Mr P Griffiths, Service Director – Finance & Improvement Services
Mr S Humphreys, Head of Legal Services
Ms L Cumpston, Group Audit Manager
Mr C Rees - Audit Wales
Ms S Byrne – Audit Wales

23 Welcome and Apologies

The Chair welcomed the attendees to the hybrid meeting of the Governance and Audit Committee and apologies for absence were received from County Borough Councillor J Edwards and S Powell.

24 Declaration of Interest

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

25 Minutes

It was **RESOLVED** to approve the minutes of the 13th September 2021 as an accurate reflection of the meeting with the following amendments:

Apologies for Absence

Apologies for absence were received from County Borough Councillors G Davies, E Webster, M Griffiths and J Edwards.

26 Audit Wales Update

Ms S Byrne, Audit Wales, provided the Governance and Audit Committee with an update in respect of the Financial Sustainability Assessment report in relation to Rhondda Cynon Taf County Borough Council.

Members were informed that the findings of the report overall were positive and the Council continues to be well placed to manage its financial sustainability. The Audit Wales Officer informed Members that the report also covers the impact that Covid-19 has had to date on the Council's financial position noting that the majority of additional expenditure and income losses incurred as a result of the pandemic had been supported through additional funding from Welsh Government. The Officer went on to refer to examples of how the Council has taken account of the impact of the pandemic in its 2021/22 budget strategy and that the Council is very aware of the need to consider the medium to long term implications of the pandemic as part of its strategic planning.

The Audit Wales Officer continued the update by referring Members to the section of the report covering financial planning and noted the overall finding that the Council's financial planning has served it well to date, which it can build upon to consider how it manages its budget gap over the medium term. The Officer also outlined from the report findings how the Council has modelled the budget gap on a range of assumptions and noted the ongoing discussions in respect of the Council's estate, workforce and digital strategies.

The Audit Wales Officer indicated to Members that the report sets out 2 proposals for improvement, firstly in respect of the Council needing to be assured that it has contingency plans in place to manage less positive funding settlement scenarios that it has planned for as part of its medium term financial planning and, secondly, around the need for the discussions that are on-going in respect of the Council's estate, workforce and digital capabilities to be formalised in the Council's financial planning arrangements.

Mr C Rees – Audit Wales continued the presentation. He referred Members to the section of the report outlining the use of financial reserves and the trend over the past 5 financial years. The Officer indicated that, in line with most local authorities in Wales, there had been an increase in the level of reserves during 2020/21, primarily as a result of additional funding made available to support the impact of the pandemic, and noted the importance for the Council to continue to effectively manage its reserves as it recovers from the pandemic.

The Audit Wales Officer went on to indicate that the Council has a track record of delivering its services within its overall revenue budget, noting that there are overspends in some service areas and the Council understands the causes of these. The Officer also indicated that the Council has identified and achieved savings early and has built these into its base budget requirements, and highlighted the challenge of continuing to deliver significant efficiencies without impacting on front-line services, as set out in the Council's 2021/22 Budget Strategy Report.

Ms S Byrne resumed by providing Members with an overview of the national report on Financial Sustainability of Local Government.

The Audit Wales Officer provided an overview of the key findings within the report, based on the work undertaken to review the financial stability of each of the 22 Councils in Wales. The Audit Wales Officer informed Members that the national picture, similar to Rhondda Cynon Taf, was one where additional funding from Welsh Government has helped to mitigate the cost of the

pandemic and although the financial positions for all 22 councils has improved, the financial sustainability of councils remains mixed. The Officer added that most Councils continue to show significant overspends in some services, for example, social services, and the report emphasises that in order to be able to continue to deliver key services, councils need to ensure they develop and implement strategies to strengthen their financial sustainability.

The Audit Wales Officer drew Members' attention to exhibit 6 within the report which provides detail on key steps to help with Councils financial sustainability, these being, Financial Strategies; Reserves; Performance against budget; and Savings delivery.

The Audit Wales Officer concluded by outlining the next steps including continuing to monitor the financial position of individual Councils and the publication of a financial sustainability data tool following completion of audits on 2020-21 accounts.

Following the conclusion of the presentation the Chair invited the Service Director – Finance and Improvement Services to provide a brief overview of the Council's arrangements. The Service Director provided context around the Council's medium term financial planning arrangements, indicating that it is: an integral part of the Council's financial and service planning processes and a whole-council programme of work; reviewed and updated on an ongoing basis and challenged by the Senior Leadership Team; and reported to Cabinet, full Council and the Finance and Performance Scrutiny Committee. The Service Director added that the arrangements inform the Council's budget setting process, this being a continuous process as demonstrated through the on-going early identification and delivery of efficiency savings.

Members were invited to provide comment on the two reports that had been presented so far. One Member commented on the levels of reserves outlined in the report in comparison to the levels of liquidity. The Service Director – Finance and Improvement Services informed Members that the Council sets aside reserves for specific purposes and monitors its balance sheet, that includes its liquidity position, on an on-going basis and in line with its Treasury Management Strategy.

Another Member referenced section 8 of the local report and requested assurances that the levels of useable reserves are at an adequate level to provide a safety net. The Service Director fed back that the Council's levels of reserves are kept under on-going review to ensure their adequacy and should there be a requirement to fund unforeseen expenditure, a number of options would be available, for example, realigning funding where there are currently no contractual commitments against specific reserves. The Service Director added that the Council uses its reserves in a prudent and planned way as part of its financial planning arrangements.

Mr C Rees – Audit Wales, resumed the presentation of the final report provided for Members in respect of the Regulatory Programme Update – Quarter 2. The Audit Wales Officer took Members through the sections of the report outlining the Financial Audit work and provided a position statement at 30th September 2021.

Ms S Byrne – Audit Wales continued to take Members through the Performance Audit work section of the report providing an update of the review relating to the Cwm Taf Morgannwg health partnership and the Annual Audit Summary.

Members were also provided with an update in relation to the 2021-22 programme and clarification was given around the timetable and status outlined in the report for the Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations.

The Service Director – Finance and Improvement Services provided Members with further information in relation to the monitoring of reports issued by Audit Wales and confirmed that recommendations reported by Audit Wales will be presented to the Governance and Audit Committee along with the action to be taken by Council Services. The Service Director added that these arrangements are in line with the Council's agreed approach and ensures the Governance and Audit Committee are able to review and challenge the extent of progress Council services are making to implement Audit Wales recommendations.

The Chair thanked the Officers from Audit Wales for attending the Committee meeting remotely and for providing a comprehensive update to Members.

The Governance and Audit Committee **RESOLVED:**

1. To acknowledge the update.

27 Strategic Risk Register Update

The Service Director – Finance and Improvement Services presented Members with the Council's updated Strategic Risk Register for 2021/22.

Members were referred to Section 4 of the report outlining the relevant extracts from the Committee's Terms of Reference and the CIPFA publication 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition'.

The Service Director – Finance and Improvement Services highlighted Table 1, Risk Management related information reported to the Governance and Audit Committee, and referred Members to the specific reference for the Committee to be kept up to date with the risk profile and the effectiveness of risk management actions, this having particular relevance to the report being presented to the Committee.

The Service Director went on to draw Members attention to Section 5 of the report which set out the work undertaken to review and update the 2021/22 Strategic Risk Register, with updates being reviewed, challenged and signed off by the Senior Leadership Team and included in the Council's Quarter 1 performance report presented to Cabinet and the Finance and Performance Scrutiny Committee. The Service Director also provided an overview of the updates incorporated into the 2021/22 Strategic Risk Register as a result of the review process, and Members were directed to the latest Strategic Risk Register position statement, for the Committee's consideration of the arrangements in

place, as set out at Appendix 1 of the report.

The Chair thanked the Service Director for the presentation and the Governance and Audit Committee **RESOLVED:**

1. That assurance was in place around the review and update process for the 2021/22 Strategic Risk Register; and
2. To receive Strategic Risk updates in line with the Committee's Workplan and Terms of Reference.

28 Procedure Rules Update

The Service Director Finance & Improvement Services introduced the presentation and outlined the purpose of the update was to raise awareness of the content of the Council's Financial Procedure Rules and to support the role of the Governance and Audit Committee to effectively fulfil its terms of reference. The Service Director also set the context for the update in relation to the scheme of delegation framework in place within the Council.

Members were reminded that the purpose of the Financial Procedure Rules is to provide a framework for managing the Authority's financial affairs and the key roles were outlined along with an overview of the 5 areas included within the Rules: Financial Management; Financial Planning; Risk Management and Control of Resources; Financial Systems and Procedures; and External Arrangements.

At this point in the presentation, Members of the Governance and Audit Committee were provided with the opportunity to ask questions.

In response to a query regarding the management of reserves being invested in areas that would maximise profit and also investment in fossil fuel companies, the Service Director Finance & Improvement Services fed back that with regard to the Council's use of specific reserves, the aim is to ensure best value and to maximise the positive impact from the utilisation of the funds in line with the purpose that they have set aside for. The Service Director added that with regard to investment in fossil fuel companies, this is an area of responsibility for the Rhondda Cynon Taf Pension Fund, outside of the remit of the Governance and Audit Committee, and assured Members that as part of the Pension Fund's governance arrangements, the Fund is committed to responsible investment factors in terms of environmental, social and governance, as part of the overriding principle of obtaining the best possible financial return.

The Group Audit Manager continued the presentation by providing some examples of how the Financial Procedure Rules are linked to audit assignments. The examples discussed were divided into systems based audit assignments and establishment based audit assignments.

The following key headlines were presented during this section:

Systems Based Audit Assignments– Examples

- Budgetary Control
- Asset Management
- School Budgets
- Pensions / Payroll

Establishment Based Audit Assignments – Examples

- Primary Schools
- Comprehensive / All Through Schools
- Leisure Centres
- Day Centres / Homes for the Elderly

The Group Audit Manager also outlined some general principles and good practice in relation to the Financial Procedure Rules.

Members were invited to ask questions related to this section of the presentation and positive comments were made regarding the process of segregation of duties amongst officers as part of strengthening checking processes. One Member queried the Asset Register and asked Officers for details of any procedure in place to account for changes in the value of the Council's assets. The Service Director Finance & Improvement Services advised Members that the assets within the Council's Asset Register are reviewed on a rolling and scheduled basis, for example, every 5 years, by an external and independent party, and any changes in the value of assets are reflected within the Council's Balance Sheet. Another Member requested assurance around the replacement arrangements in place for the Council's assets. The Service Director provided examples of replacement arrangements in respect of the Council's fleet of vehicles and leisure centre equipment, where current and future requirements are regularly reviewed, resources set aside and consideration given to the most cost effective approach for acquiring assets, for example, outright purchase or lease.

The Chair thanked the Officers for the presentation and responses provided to the questions posed by Members.

The Governance and Audit Committee **RESOLVED:**

1. To note the update provided.

This meeting closed at 6.30 pm

**Chris Jones
Chairman.**