

# GOVERNANCE AND AUDIT COMMITTEE

## Minutes of the virtual meeting held on 8 February, 2022

**PRESENT:** Councillor Peter Rogers (Chair)  
Mr Dilwyn Evans (Lay Member) (Vice-Chair)

Councillors John Griffith, Richard Griffiths, Gwilym O. Jones, Dylan Rees, Margaret Roberts, Alun Roberts.

**IN ATTENDANCE:** Chief Executive  
Director of Function (Resources) and Section 151 Officer  
Head of Internal Audit & Risk (MP)  
Head of Adults' Services (AO)  
Regeneration Manager (DLI)  
IT Team Manager (MH)  
Risk and Insurance Manager (JJ)  
ICT Cyber Security Engineer (CCT)  
Committee Officer (ATH)

**APOLOGIES:** Councillor Robin Williams (Portfolio Member for Finance)

**ALSO PRESENT:** Councillor Llinos Medi (Leader & Portfolio Member for Social Services) Jeremy Evans (Audit Wales), Mathew Brushett (Audit Wales), Nick Selwyn (Audit Wales) Yvonne Thomas (Audit Wales), (Bethan Owen (Accountancy Services Manager), Marc Davies (IT Infrastructure Manager), Nannette Williams (Principal Auditor), Andrew Lewis (Senior Auditor), Nia Rogers (Senior Auditor), Gwyndaf Dale (ICT Security & Automation Trainee)

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### 1. DECLARATION OF INTEREST

No declaration of interest was received.

### 2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Governance and Audit Committee held on 9 December, 2021 presented and were confirmed as correct

Arising thereon – with regard to item 9 on the minutes, the Head of Audit and Risk confirmed that there had been no further amendments to the Local Code of Governance and that the Code would now be submitted to the Full Council for approval on 10 March, 2022.

### 3. UPDATE ON THE RECRUITMENT OF LAY MEMBERS TO THE GOVERNANCE AND AUDIT COMMITTEE

The report of the Head of Audit and Risk updating the Committee on progress as at 25 January, 2022 with recruiting the additional lay members to the Governance and Audit Committee in accordance with the provisions of the Local Government and Elections (Wales) Act 2021 was presented for information.

The Head of Audit and Risk briefly summarised the requirements of the Act in terms of committee membership composition and proceedings which means that for the Isle of Anglesey County Council, its Governance and Audit Committee will include four lay members. She confirmed that as Mr Dilwyn Evans, current lay member has indicated that he is willing to serve a second term, three additional lay members are required. The Council participated in the Welsh Local Government Association's Task and Finish Group to develop an application form and advert for the recruitment process as well as a national programme of promotion. The Council received 13 application forms from which four candidates were shortlisted for interview by a panel consisting of the Chair and Vice-Chair of the Governance and Audit Committee and the Director of Function (Resources)/ Section 151 Officer. The shortlisted candidates will be interviewed by a panel of the Chair of the Governance and Audit Committee, the Director of Function (Resources)/Section 151 Officer and the Deputy Chief Executive in February, 2022. In accordance with the requirements of the Council's Constitution, the Chair and Vice-Chair of the Committee will recommend the appointment of the lay members to the Governance and Audit Committee at its April, 2022 meeting.

**It was resolved to note the progress made with recruiting the additional three lay members required for the Governance and Audit Committee from May, 2022.**

#### **4. TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23**

The report of the Director of Function (Resources)/Section 151 Officer incorporating the Treasury Management Strategy Statement for 2022/23 was presented for the Committee's consideration. The report outlined the Treasury Management Strategy for 2022/23 including the Annual Investment Strategy, the Annual Minimum Revenue Provision Policy Statement, the Treasury Management Policy Statement, the capital plans and associated Prudential Indicators.

The Treasury Management Strategy sits below the Capital Strategy and considers the impact of that strategy on the Council's borrowing and investment. It sets out how both strategies will be undertaken in a controlled way which is in line with a suitable level of risk that the Council wishes to take having regard to the guidance set out in the CIPFA Code of Practice on Treasury Management. The Treasury Management Strategy outlines the Council's approach to borrowing and investment which follows on from the Capital Strategy, sets out the constraints on borrowing, determines a set of prudential indicators that ensure the affordability of the Council's capital plans and determines the Council's risk appetite and approach to managing its investments. These elements cover the legislative and regulatory requirements.

The Strategy for 2022/23 covers two main areas – capital issues and treasury management issues and considers the key factors in relation to each area and how those shape the Treasury Management strategy and approach.

The Director of Function (Resources)/Section 151 Officer in presenting the report confirmed that there are no proposed amendments to the core principles of the 2021/22 Statement and highlighted the following –

- The economic background commentary (Appendix 3 to the report) and interest rate forecast to March 2025 and implications for the Treasury Management Strategy.
- The proposed capital expenditure programme for 2022/23 to 2024/25 as set out in table 3 of the report including proposed capital spend, how this is to be financed and the balance to be funded from borrowing over each of the three years.
- The impact of the Council's capital expenditure plans and the Minimum Revenue Provision (MRP) charge on the Capital Financing Requirement (CFR) and the level of external and internal borrowing as shown in Table 4 of the report showing a projected

increase in external borrowing over the next three years but remaining within the acceptable parameters.

- The borrowing strategy confirming that an under borrowed position is being currently maintained and that a pragmatic approach to changing circumstances will be adopted i.e. if it was felt there was a significant risk of a sharp fall in long and short term rates then long term borrowings will be postponed and potential rescheduling from fixed rate funding to short term borrowing will be considered if it is cost-effective to do so. Conversely, if it was felt that there is a significant risk of a much sharper rise in long and short term rates than currently forecast, then the portfolio position will be re-appraised.
- The Council's approach to borrowing in advance of its needs confirming that the approach remains not to borrow solely to profit from the investment of the extra sums borrowed. In determining whether borrowing will be undertaken in advance of need, the Council will have regard to the factors set out in paragraph 7.4.2 of the report.
- The unlikelihood of debt rescheduling due to the still very large differences between premature redemption rates and the new borrowing rates.
- The approach to investment confirming that if it is thought that Bank rate is likely to rise significantly within the time horizon, then consideration will be given to keeping most investments short term or variable. If it is thought that Bank Rate is likely to fall within that time period consideration will be given to locking into higher rates currently obtainable for longer period. The strategy in managing investment is to give priority to security and liquidity over the return on investment.
- The management of risk confirming that the Council has adopted a prudent approach to managing risk and defines its risk appetite by the means set out in section 8.2.4 of the report in terms of creditworthy counterparties, lending limits and credit ratings which are monitored daily.
- Governance and control arrangements over treasury management processes, decisions and performance.
- The Prudential and Treasury Indicators as detailed in Appendix 12 of the report which cover affordability and prudence and set out the limits for capital expenditure, external debt and the structure of the debt.

In response to questions by members, the Director of Function (Resources)/Section 151 Officer advised –

- That there remains a high level of uncertainty over the economic outlook because of inflation, rising energy prices, supply shortages, some unresolved Brexit issues, tensions in Eastern Europe and in Westminster as well as concerns around economic recovery and the potential for further changes resulting from Covid. It is hoped that many of these issues will have worked through by the summer and into the autumn thereby bringing more clarity and stability to the economic situation. Periods of lockdown drove prices down in 2021 and so an inflationary rebound was to be expected. And although inflation is projected to reduce there is a risk that higher inflation may continue for longer driven by global prices and high energy costs; how it will be managed will be a key factor. Overall 2022 is expected to be a challenging year economically.
- That the Capital Budget monitoring report to the Executive for Quarter 3 2021/22 will confirm continuing slippage on the capital programme from schemes that have not progressed as much as predicted and this can be attributed to a number of factors ranging from value for money considerations linked to rising tender prices to planning delays. The Authority remains committed to fulfilling its capital programme commitments over the term of the plan and intends to borrow to that objective.
- That social housing grants are now available to local authorities as well as Registered Social Landlords but represent a small element of funding. Capital expenditure on the Authority's housing stock is funded by the Housing Revenue Account based on annual rental income which also funds repairs and maintenance and the cost of borrowing. Each

proposed housing development is assessed on that basis and the assessment may be adjusted for some developments i.e. being prepared to meet repayment costs over a longer term if it can be demonstrated that the development meets an urgent need in a particular area in the knowledge also that repayment costs for other developments may be over a much shorter timeframe. The Authority seeks grant funding for each of its housing developments and Welsh Government grants are made available especially for innovative or green housing builds.

**It was resolved to accept and to note the Treasury Management Strategy for 2022/23 and to forward the TM Statement to the Executive without further comment.**

## **5. EXTERNAL AUDIT: COMMISSIONING OLDER PEOPLE'S CARE HOME PLACEMENTS**

The report of Audit Wales setting out the findings from the Auditor General's review of care home commissioning arrangements across North Wales was presented for the Committee's consideration.

Mr Jeremy Evans, Audit Wales reported that the review looked at how the members of the North Wales Regional Partnership Board work together to commission care home placements for older people (the term care homes being used to reflect all types of residential and nursing care homes in a generic sense). The Social Services and Well-being (Wales) Act which came into force on 6 April, 2016 requires councils and health boards to work together to assess the care and support needs of the population in their area. The Act established Regional Partnership Boards (RPB) to prioritise the integration of services including for older people with complex needs and long-term conditions including dementia. In North Wales the RPB includes the statutory partners – the six local authorities and the Betsi Cadwaladr University Health Board.

In early 2020 Audit Wales identified strategic commissioning of care home placements for older people was a risk to both councils and the Health Board for the reasons set out in paragraph 5 of the report. Fieldwork was undertaken in February and March of 2021 and as the messages were drawn together it was found that the legislative and policy frameworks were leading to a way of working that is impacting on health and social care professionals and users of the services. Although a review of the Partnership Boards in Wales has not been carried out, it is anticipated that many of the finding and challenges highlighted in the review for North Wales will to a greater or lesser extent be replicated nationally.

The key messages and overall conclusions from the review are as follows –

- Partners are working together to provide care for vulnerable service users but are carrying significant risks associated with market stability, workforce and pre-placement agreements along with a reliance on spot purchasing.
- The RPB's 2018 Market Shaping Statement set out some aspirations for care home commissioning which were added to by the RPB's response to "A Healthier Wales" in 2019, however, neither of these have driven the development of a clear regional strategy for commissioning care home placements for older people in North Wales or a delivery plan to take forward the aspirations that have been identified.
- Whilst the RPB network brings partners together to "think regionally", its structures, largely set out by the Welsh Government, are extensive and complex, and lines of accountability need to be strengthened.
- Nationally set fee structures are complex and result in a significant focus on cost which causes division amongst partners and has the potential to impact adversely on service users and their families.

- Partners need to do more to demonstrate they are meeting their statutory responsibilities around the Welsh language, and the Well-being of Future Generations Act, when commissioning care homes provision and making individual placements.

Audit Wales has reported separately to Welsh Government and has recommended actions it should take to improve the framework within which regional partners operate and has challenged it to look at some of the key legislative requirements as it reviews social care and health in the Rebalancing Social Care White Paper. Welsh Government needs to assure itself that the changes it proposes go far enough to resolve some of the longstanding challenges that have been identified and reported upon - specifically the complexity of the funding models and the need for greater clarity around the operation of pooled funds; better scrutiny and accountability with regard to RPB activities and decisions and the establishment of a framework against which to evaluate the progress of the RPB in meeting well-being goals.

Whilst some of the responsibility for improvement lies with Welsh Government, it is important that partners including the Isle of Anglesey County Council, consider their own role in the process. In light of the considerable amount of resources spent on care by councils and the BCUHB, the Council needs to be assured that this money is being spent wisely and that it is contributing towards building a more sustainable care sector that provides for the different types of care for today's citizens and for citizens of the future. To this end the report makes 5 recommendations for the councils and Health Board which are set out at the end of the report.

The Chair thanked Mr Jeremy Evans for presenting the report and findings and acknowledged the considerable work that had gone into producing it. In the subsequent discussion the following points were made –

- Reference was made to independent living schemes and to the Council's own Extra Care Housing provision for older people with the question being whether the development of these and similar models of care should be encouraged as being more cost-effective and sustainable options capable of addressing some of the issues identified.

Mr Jeremy Evans confirmed that the North Wales response to "A Healthier Wales" reflects a move towards encouraging people to remain within their communities for longer through domiciliary care provision and/or extra care establishments. The flipside of this is that when people do go into care homes their needs are therefore greater and require more specialised provision which few councils are able to afford close to home hence the importance of having a strategy for care home commissioning across North Wales that will support care planning. Councils need to determine what they want, to establish the balance of the types of care that they need in their care homes and to develop a roadmap that will take them from where they are currently which might mean having a greater level of general residential care than is required for the future, to where they want to be at the more specialised end of care provision.

- With regard to the Regional Partnership Board structure (Appendix 1 of the report) which the Committee thought might prove perplexing to a service user, there was some concern at the overheads of running such a structure and concern also that such a complicated set up might be making life more difficult as regards meeting the care needs of service users.

Mr Jeremy Evans advised that the RPB structure is largely set out by Welsh Government and because it includes the seven principal partners and is supported by a range of other

groups and organisations it is complex, and can be confusing. One of the report's main findings is that although the RPB network brings partners together the scale of its structure and operation makes it unwieldy and presents challenges for the way it operates. It is an area which Audit Wales has highlighted should be looked at by Welsh Government with a view to simplification thereby improving effectiveness.

- In noting that there is a push towards regional partnership working in several areas, the Committee wanted to know what the main lessons to be taken from the review were in terms of applying a regional working model to other service areas.

Mr Jeremy Evans advised that as regards the report, Audit Wales has highlighted the need for Welsh Government to be clear about its expectations for partnerships (the RPB in the case of the report) so as to be able to objectively evaluate their progress towards the goals set and to have in place a set of measures against which progress in delivering the Welsh Government's aims and ambitions for a specific partnership working arrangement can be demonstrated. Regional working can be productive and effective as attested to by the North Wales Economic Ambition Board (NWEAB) a review of which by Audit Wales found evidence of strong governance, good progress in developing the programme of the Portfolio Office and flexibility in adapting to the context in which the Board operates. The RPB needs to be placed on a similar footing with good governance, accountability and links back to the home partner organisations and these are aspects the Council can help develop as one of the key partners.

The Head of Adults' Services confirmed that the service's experience in Anglesey supports the review's findings with regard to placements in as much as people are entering residential care with more complex needs and they tend to remain in care for shorter periods. As an Authority, whilst Anglesey would like to develop more extra care housing provision or similar to enable individuals to remain in a homely environment for as long as possible, it recognises that there comes a point when that is no longer possible when individuals require more specialist provision in a residential care setting. The recommendations have been the subject of much thought and reflection and there is consensus regarding the general direction of travel.

Councillor Llinos Medi commenting as Portfolio Member for Social Services and as the Council's representative on both the RPB and the NWEAB highlighted the differences between the two boards and emphasised that the NWEAB had been developed organically from the bottom up within the region in response to an identified and agreed need to develop the region's economy whilst the RPB is the product of the Social Services and Well-being (Wales) Act. She raised questions about the ability of the RPB in its present format to be able to make the difference which the report advocates and referred to challenges and risks associated with the pooled budget approach towards care home commissioning and to the implications of additional administrative requirements and whether value for money can be obtained. Councillor Llinos Medi said that the needs of the service user has to be paramount and is at risk of being lost within the RPB's structure. She thought that collaboration works best when it is on the basis of an agreed approach by the partners themselves rather than when it is imposed.

Mr Jeremy Evans acknowledged that the NWEAB and RPB have had different starting points and because it is prescribed by legislation the latter is more difficult to shape to meet needs locally which point is reflected in the report and recommendations to Welsh Government; (which he urged the Committee's members to seek out for information). These challenge Welsh Government on the effectiveness and delivery capability of the RPB and likewise on the expectations for and workability of pooled budgets. Care funding models and the systems supporting them are complex because of the range of care placement types and they sit within a complicated structure that is the RPB. The report and recommendations

seek to encourage councils to streamline as much of these processes as possible and for Welsh Government to ensure that its policy reform goes far enough to resolve the challenges identified so as to make the process easier and smoother for service users who are elderly and vulnerable individuals.

**It was resolved to note the finding and recommendations of the report by Audit Wales with regard to commissioning care home placements, and to thank Mr Jeremy Evans for the presentation and clarifications provided.**

## **6. EXTERNAL AUDIT: LETTER IN RELATION TO COUNTER FRAUD ARRANGEMENTS**

- A letter by Audit Wales' Engagement Director dated 19 March, 2020 to the Chief Executive in relation to counter-fraud arrangements was presented for the Committee's consideration.

Mr Jeremy Evans set out the context to the letter which was a high-level review of counter-fraud arrangements across 40 organisations in Wales including all 22 local authorities. The purpose of the review was to establish whether the arrangements for preventing and detecting fraud in the Welsh public sector are effective. The local fieldwork at Isle of Anglesey County Council comprised a high level evaluation of the Council's counter-fraud arrangements based on a document review, a self-assessment completed by the Council and some interviews with relevant officers. The Audit Engagement Director wrote to the Chief Executive to set out some of the review's key findings more formally as opportunities to strengthen the Council's counter-fraud arrangements had been identified although the limitations on the Council's resources were also acknowledged. It was felt that the Council would benefit from the following –

- updating the relevant policies and plans including the anti-fraud and corruption policy and fraud response plan;
  - promoting a good anti-fraud culture and building fraud awareness amongst staff;
  - undertaking a comprehensive fraud risk assessment;
  - to consider fraud risk as part of the overall risk management process;
  - developing an annual programme of proactive counter-fraud work covering the risks in the risk assessment;
  - clear communication of the structure, roles and responsibilities in relation to counter-fraud to ensure lines of accountability are understood by all;
  - to consider introducing a corporate case management system;
  - to consider regular use of data analysis to validate data;
  - to consider ways to provide an appropriate level of fraud related information to the Governance and Audit Committee for it to take a proactive role in counter fraud matters.
- The report of the Head of Audit and Risk setting out the Council's response to the letter by Audit Wales' Engagement Director was presented for the Committee's information.

The Head of Audit and Risk in confirming that an action plan to address the recommendations has been developed and is set out at Appendix 1 to the report clarified that the Audit Wales' letter was received at the onset of the Covid 19 pandemic following which all non-essential work was postponed and Internal Audit staff were redeployed within the Council. However the Counter Fraud, Bribery and Corruption Strategy was presented to and approved by the Committee at its December, 2021 meeting and covers all the matters raised by Audit Wales excepting the procurement of a case management system which it was deemed is not relevant to Anglesey because of the very small number of fraud cases arising (one to two cases per year) which do not justify the outlay and would not represent value for money. Also, the policy for the Prevention of Fraud

and Corruption forms part of the Constitution and as such is revised annually as part of the regular review of the Constitution. Four of the ten recommendations have been implemented and the remaining five will be completed during the year; progress will be reported in the end of year annual report.

Although it recognised that the Covid-19 pandemic had disrupted normal business, the Committee queried the 3 year delay from the receipt of the letter to implementing the recommendations. The Committee further questioned whether the introduction of working from home arrangements for the majority of staff had increased the risk and opportunity for fraud citing the significant amount of money lost by Central Government due to fraudulently claimed Covid support funds.

The Head of Audit and Risk advised that a member of Internal Audit staff was seconded to the Finance Service's grants team which dealt with and distributed business support grants during the pandemic thereby providing an element of assurance and increasing the capacity for detecting fraud. All post payment assurance checks to date have not identified any instances of fraud. Dealing with the pandemic also meant that resources and efforts had to be prioritised and the issues raised within the letter by Audit Wales were not considered as such at the time.

**It was resolved to note the issues raised by Audit Wales along with the progress made in addressing the recommendations made by Audit Wales in relation to countering fraud.**

## **7. EXTERNAL AUDIT: REGENERATING TOWN CENTRES IN WALES REPORT – RECOMMENDATIONS AND RESPONSE**

- The report of Audit Wales setting out the main findings from the Auditor General's review of how local authorities in Wales are managing and regenerating their town centres was presented for the Committee's consideration.

Mr Mathew Brushett, Audit Wales outlined the context to the report and the audit approach and methodology which involved looking at previous regeneration programmes and current regeneration strategies across councils as well as interviewing regeneration lead officers. The full evidence base for the review is detailed in Appendix 1 of the report. A review tool to enable councils to self-assess their current approaches to town centre regeneration and to identify areas where further work is needed was also produced along with an interactive data tool.

The key messages and overall conclusions from the review are as follows –

- Town centres are at the heart of Welsh life and can be vibrant and sustainable places, but addressing the many challenges they face requires brave decisions and ambitious leadership;
- The growth of out of town retail, the progressive loss of essential services from town centres – banks, post offices and public services – and the growth in online shopping have contributed to a steady decline in many town centres. The pandemic has added to these problems.
- The Welsh Government has invested heavily in town centre regeneration in the last seven years but despite this funding town centres often struggle.
- Town centre regeneration remains a national priority, but the Welsh Government's town-centre-first policy is not yet fully embedded.
- Local Authorities are the key public bodies to help regenerate town centres but they often lack capacity and skills to deliver the sustainable regeneration needed.

- Local authorities are well-placed to prioritise and lead on place planning but must be clear on the purpose of their town centres and involve public sector partners, the third sector, town and community councils, communities and businesses in decisions. Local Authorities will also have to become increasingly interventionist to address the challenge facing town centres.

The report makes six Wales wide recommendations which are set out in detail in Exhibit 3 but can be summarised thus –

- Welsh Government should review Non-domestic rates to ensure the system better reflects town-centre conditions when the payments holiday ends in March, 2022
  - Welsh Government should work with local authorities to review transport challenges facing town centres and agree how best to address these
  - Welsh Government should facilitate local authorities' access to funding for town centres by streamlining and simplifying processes and grant conditions; providing multi-year funding and providing revenue as well as capital support to help address staff capacity and skills shortages
  - Local authorities should effectively and consistently use their existing enforcement, financial and debt recovery powers to support regeneration working across departments.
  - Welsh Government should set out how it plans to deliver its Town Centres First approach in practice, its expectations of partners and the practical steps it will take to make this ambition a reality
  - Local authorities should be receptive to and plan to manage the changes to town centre and use Audit Wales' regeneration tool to self-assess their current approaches to identify where they need to improve their work on town centre regeneration.
- The report of the Head of Regulation and Economic Development setting out the Council's response to the Audit Wales report and recommendations on Regenerating Town Centres in Wales was presented. This included a completed self-assessment exercise to identify areas for improvement and/or further work in response to recommendation six of Audit Wales' review. The outcome of this exercise shows that the Authority is engaged in all of the 38 identified work areas and details the progress made with regard to each including any barriers to progress.

Mr Mathew Brushett welcomed the completed self-assessment as a candid appraisal of the Authority's current position including an acknowledgement of strengths and weaknesses and suggested that it might also be helpful to have Scrutiny examine those aspects that require further work and how they might be addressed and for the self-assessment to be converted into an action plan with measurable actions and timescales to take matters forward.

In discussing the report the Committee made the following points –

- In acknowledging that revitalising town centres requires a joined up approach between all local stakeholders, the Committee sought clarity on the Council's role and whether it was expected that the Council should always take a leading role or whether it should be a supporting partner to other organisations.

Mr Nick Selwyn, Audit Wales advised that it is likely to be a combination of both and he referred to examples from the report where both approaches are seen to be effective. There are already in Wales a number of good mechanisms that have been used by a number of communities some of which are referenced in the report. The starting point has to be a dialogue about what the Authority's ambitions are and then identifying the

best mechanisms to deliver change on the ground with the key aspect being the involvement of the full range of people that will benefit and use towns.

- Whether the role of tourism in regenerating towns had been taken into account in conducting the study. The Vice-Chair highlighted that he would have liked to have seen more examples in the report of towns where regeneration has been successful on a global as well as national level which could provide lessons in terms of what works best.

Mr Nick Selwyn referred the Committee to a report prepared for Welsh Government by Professor Karel Williams on the subject of how local markets are changing based on a detailed study of three communities; the report draws on a number of examples from Europe and looks at their approach to regeneration. The Audit Wales review is meant to align with rather than duplicate Professor Williams' wider report. He confirmed that tourism had been factored in when undertaking the review and that many of the places that are seen to be flourishing are natural tourist areas. However, not all tourist towns are turning things around with the key factor being how well connected these places are to the wider community and how dependent they are on the services provided in that broader sense.

- Whether the Levelling Up fund has a role to play and what difference it is likely to make in the long-term. Mr Nick Selwyn clarified that although the report does not comment on the Levelling Up fund as the fund was in the process of being finalised when the report was being completed, the National Audit Office has recently issued a report on the Levelling up Fund which will help with understanding some of the challenges that this agenda will bring. Having access to funding and using it effectively will have an impact on the ground. Whilst local authorities have a proven record of physical regeneration by way of building works and improving facilities, the challenge lies in being clear on the purpose of towns in the future and what the Authority wants to achieve for its towns.

In response to a further question about the relevance of levelling up to smaller towns which have suffered economically because of a decline in retail with Amlwch cited as a case in point, Mr Nick Selwyn advised that although the challenges can be significant, success outside of levelling up funds has been achieved with strong leadership and a clear vision for what the Council wants to achieve in its towns and using the powers available to it to make that happen. It is also about having ambition and working with partners to make the changes. However not every town will thrive in the way the Council might want and it will have to accept that different towns have different roles and purposes.

The Regeneration Manager provided a brief overview of the Council's regeneration efforts and outlined current activities in Llangefni, Beaumaris, Amlwch and Holyhead supported by funding from Welsh Government and other sources. Anglesey and other rural counties have been lobbying for smaller towns to be provided with support and a policy change means that capital funding of up to £250k is now available for small towns through the Place Making grant. Welsh Government has also indicated that it is moving to a three year funding cycle. On a UK basis, capital funding for infrastructure purposes is available through the Levelling Up Fund and revenue funding is available through both the Community Renewal Fund and the Shared Prosperity Fund. The latter allows local authorities to designate their own priorities within a broad framework. These funding sources together provide opportunities to help smaller towns.

The Chair thanked all the Officers for their contributions and members for the debate.

**It was resolved to note the findings and recommendations of the report by Audit Wales with regard to regenerating town centres in Wales and to accept and to note**

**the response provided by the Head of Regulation and Economic Development including the self-assessment of progress.**

#### **8. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL AUDIT SUMMARY 2021**

The Annual Audit Summary report for 2021 for the Isle of Anglesey County Council by Audit Wales was presented for the Committee's information. The report showed the work completed by Audit Wales and other inspectorates since the last Annual Audit Summary (for 2020) issued in February 2021 and provided a summary of the outcome of each piece.

**It was resolved to note the Annual Audit Summary report for 2021.**

#### **9. EXTERNAL AUDIT: AUDIT WALES PROGRAMME AND TIMETABLE – IOACC QUARTERLY UPDATE DECEMBER, 2021**

An update on the Audit Wales Work Programme and Timetable for the Isle of Anglesey County Council as at 31 December, 2021 was presented for the Committee's information. The update showed the status of each piece of work currently in progress by Audit Wales and other inspectorates and their proposed publication dates as well as confirming work completed and work planned for 2021/22 at the Council and nationally.

**It was resolved to note the quarterly update on the Audit Wales Programme and Timetable as at 31 December, 2021.**

#### **10. ANNUAL INSURANCE REPORT 2020/21**

The report of the Head of Audit and Risk incorporating the Annual Insurance Report for 2020/21 was presented for the Committee's consideration. The report provided information about how the Council has managed its insurance activity over the last five years and its challenges going forwards.

The Risk and Insurance Manager provided an overview of the summary of claims included in Appendix A to the report which provided a breakdown per policy per financial year for the Council as a whole of the number of claims that have been paid; those settled without cost or payment being made and those where the claim has not yet been settled. It was emphasised that not all "still open" claims that have a reserve against them will be paid or settled for the amount reserved which is especially true of liability claims which are often settled for much lower sums or at no cost at all. Also, the number of claims might increase over time as claims are sometimes presented several years after the event. There are 4 public liability claims that pre-date the timescale covered by the report that remain open and for which there are outstanding reserves of approximately £215k.

Some of the key points to be noted include the following –

- The Council uses a combination of self-insurance and external insurance to address the financial consequence of risk; in some cases the Council has arranged external insurance but self-insures a large proportion of the claims paid by opting for a large excess.
- The external premiums paid in 2021/22 were approximately £718.5k (an increase of 8% since 2020/21) including £73k of insurance premium tax. Whilst a proportion of the increase relates to inflationary factors, there have been rate increases as a result of losses incurred by insurers globally due to weather events and should not therefore be considered as specific to Anglesey.
- The number of claims for personal injury presented by employees (Employers Liability Claims) remains low at 2 to 3 per year over the 5 year period.

- The number of public liability claims has continued to fall over the last five years; whilst historically, injury to road users and damage to other vehicles on the highways make up a significant proportion of these claims the number of highways related claims remains low with only 10 such claims having been made since April, 2021. Claims incurred by other services are few but include claims with high reserves relating to child protection issues and a maritime related claim which together have reserves amounting to £325k.
- The number of motor claims has fallen over the last two years which can be attributed to fewer officers travelling during the pandemic. The cost of motor claims has however increased due to the increased cost of parts, increased cost of hire cars and the increased sophistication of modern vehicles.
- Property claims are primarily driven by the weather with Storm Ophelia and more recently Storm Arwen having caused damage to Council property.
- Overall, the trend is that the number of claims are low; however claims are becoming more expensive.

The Risk and Insurance Manager advised that looking forward although the pandemic has had a positive impact on claim numbers it has introduced new risks in the form of new ways of working and home working arrangements which could give rise to claims of a different nature; the pandemic also saw an increase in fraudulent activity and fraud in the form of fictitious or exaggerated claims remains a possibility post pandemic. Climate related incidents are on the increase and have a serious impact on both individuals and communities and on insurers in terms of the costs of settling the resulting claims. Generally the cost of claims is rising which in the case of non-injury claims is due to the increased cost of parts and materials and in the case of injury claims is due to the cost of care as people live longer and prognosis gets better. All these factors will affect the amounts that insurers pay to settle claims and will in turn drive up the premiums charged meaning that it is important that the Council continues to implement risk management and risk reduction measures. Managing risk well can allow the Council to accept more risk by increasing excesses and deductibles, thus keeping the balance between the risks insured and the cost of the premium.

In response to questions by the Committee, the Risk and Insurance Manager advised that with regard to reviewing excess levels, the Council has a long-term agreement with its current insurers within which there is an annual renewal process which includes checking the ongoing appropriateness of excesses. Where it is deemed that a different excess is required an alternative quotation might be sought or the insurer itself might vary its terms including the excess and/or cap levels. She confirmed that a brokerage service was not used when the insurance contract was last tendered but doing so would be considered for the next re-tendering exercise to overcome some issues that had arisen in the process. The contract was last re-tendered 5 years ago on the basis of a competitive tendering process in accordance with a national procurement framework.

**It was resolved to accept the Annual Insurance Report for 2020/21 and to note its contents.**

## **11. INTERNAL AUDIT UPDATE**

The report of the Head of Audit and Risk which updated the Committee on the work of the Internal Audit section since the last update as at 1 December, 2021 was presented for consideration. The report set out the audits completed in the period, the current workload of Internal Audit and its priorities for the short to medium term.

The Head of Audit and Risk highlighted the two audit reports finalised in the period, the one – Information Governance resulted in a Reasonable Assurance opinion and raised 2 major and 5 moderate issues/risks details of which are provided in paragraphs 3 to 11 of the report

and the other – Software Licence Management which is one of three pieces of work which Salford City Council’s specialist IT Audit team was commissioned to undertake resulted in a Limited Assurance opinion and raised one major and 9 moderate issues/risks. Further details are provided in paragraphs 12 to 16 of the report. An action plan to address the issues/risks identified has been agreed and has been made available to the Committee’s members; assurance is taken from the Council’s proposed migration to “Cloud” based applications for some of its mission critical applications which will mitigate some of the risks identified.

The six audits noted in the table at paragraph 17 of the report are currently in progress and work continues on investigating the first tranche of the National Fraud Initiative 2020/21 matches released in January, 2021. As at 1 February, 2022 there were 18 overdue actions (8 major and 10 moderate) which all fall within the Resources Services and relate to issues/risks raised in the four audits listed at paragraph 27 of the report. Internal Audit is working with the service to provide support with implementing the actions. Internal Audit’s short to medium term priorities are set out in paragraphs 30 to 32 of the report and focus on reviewing the red and amber residual risks not yet reviewed or not reviewed in the last two years from the now re-designated Strategic Risk Register. The Annual Internal Audit Strategy for 2022/23 is also in development. For the longer term, Internal Audit will be looking to deliver the Counter Fraud, Bribery and Corruption Strategy for 2021-24, working with colleagues in the Performance Team to improve assurance mapping across the Council and contribution to the development of the Performance Review, and preparing for the External Quality Assessment due in June, 2022. In addition, following its issuing of the final report on the Management of School Unofficial Funds, Internal Audit has been working on refreshing the guidance document, providing training for head teachers and governors and undertaking quality assurance checks of the certificate submitted by schools.

Officers responded to the Committee’s questions as follows –

- With regard to the Limited assurance review of Software Licensing, the IT Team Manager advised that the cost of all the software licences for the Council for 2021 was in the region of £580k and included all individual licences, software licences and the maintenance of those licenses. With regard to reducing the cost, he confirmed that while some of the actions detailed in the report address the need to manage the risk that unlicensed or unauthorised software is in use, other actions come from the perspective of cost reduction and securing value for money. Suggested controls include introducing a register of software assets to provide an integrated way of identifying where those individual assets are aligned to. As well as providing a way of keeping track of who has what a comprehensive register would also help identify if there are unnecessary software licenses being held, thereby avoiding the duplication and/or re-purchasing of licences.
- Although the IT Unit monitors the licence position for the Council’s software in the main, the IT Team Manager advised that the risk that unauthorised software could be used could apply in instances where the Council works in partnership with third parties/ companies where the licensing arrangements are not known, or where software is purchased via channels that are not captured by the standard IT processes which would verify whether or not there is already a licence for that software. Whilst the audit review report notes the controls that are already in place to limit such occurrences, the implementation of additional controls is recommended to strengthen existing processes and provide further assurance.
- With regard to overdue actions, it was clarified that Covid related absences have contributed to the overdue actions in the four audits pertaining to the Resources function. The Director of Function (Resources)/Section 15 Officer advised that capacity issues have affected the timely implementation of the recommended actions in the four audits as managers’ time in the income and debtors teams is taken up by day to day

responsibilities leaving little or no time for addressing the effectiveness of business processes. An external resource has since been commissioned to review processes and to respond to the audit recommendations, and as part of the 2022/23 budget approval process the Resource function has submitted a bid for funding for a Business Manager post to review systems, processes and practice across the function and to implement any improvements identified.

**It was resolved to note Internal Audit's assurance provision and priorities going forward.**

## **12. FORWARD WORK PROGRAMME**

The report of the Head of Audit and Risk incorporating the Forward Work Programme updated to reflect amendments made due to workload and/or other factors was presented for the Committee's endorsement.

**It was resolved to note the minor amendments to the approved Forward Work Programme for 2021-22.**

## **13. EXCLUSION OF THE PRESS AND PUBLIC**

**It was considered and was resolved Under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 14 and 16 of Schedule 12A of the said Act and in the Public Interest Test presented.**

## **14. RISK MANAGEMENT UPDATE**

The report of the Head of Audit and Risk updating the Committee on the risk management position was presented for consideration. The report provided an overview of developments in respect of managing risks since the last report on the corporate risk register was presented to the Committee in December, 2020 and included the new strategic risk register at Appendix C.

The Risk and Insurance Manager reported that since the corporate risk register was last presented to the Committee, the Senior Leadership Team (SLT) has undertaken a thorough review of the entire risk register and a decision has been made that the SLT's focus should be on those risks to the achievement of the strategic priorities, hence a new strategic risk register aligned to the corporate priorities has been developed and replaces the corporate risk register. The risk assessment matrix (presented as Appendix B to the report) has also been reviewed and all of the "Likelihood" descriptors have been amended as have several of the "Impact" descriptors. The new strategic risk register contains 14 risks which is half the number on the previous corporate risk register and each risk has a designated SLT member leading on it. A detailed review of the wording, scores/priorities, control measures and further action required to mitigate each risk has been carried out with each new risk owner; the SLT has then reviewed the strategic risk register in its entirety.

The SLT will continue to review a small number of strategic risks on a monthly basis and will review the strategic risk register in its entirety twice a year. Those risks that are common to several service areas (e.g. in relation to collaboration and partnership working, health and safety contracts, sickness absence and fraud) have been removed and where not already the case will be included in individual service risk registers. The SLT recognises however that cumulatively these risks could have a significant impact on the Council as a whole and will therefore monitor those risks as part of normal performance monitoring arrangements.

The SLT has identified the top five red/critical residual risks to the achievement of the Council's corporate and strategic objectives and these relate to workforce management, IT continuity, cyber-security, school modernisation and the ongoing suitability of physical assets.

The Committee welcomed the streamlined strategic risk register as less cluttered than the previous corporate risk register making the register easier to understand in terms of the most significant risks faced by the Council. The effectiveness of the control measures in terms of reducing both likelihood and impact was discussed as was the sufficiency of the control measures with regard to school modernisation with it being noted that there was no specific measure in relation to the supply and demand for school places. The Committee was advised that the control measures outlined for school modernisation are those which the risk owner considers appropriate to meet the level of risk at this time.

**It was resolved to note the amendments made in relation to risk management and in particular the strategic risk register and to confirm that the Committee takes assurance that the Senior Leadership Team has recognised and is managing the risk to the achievement of the Council's priorities.**

#### **15. EXCLUSION OF THE PRESS AND PUBLIC**

**It was considered and was resolved Under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 14 and 18 of Schedule 12A of the said Act and in the Public Interest Test presented.**

#### **16 CYBER SECURITY ANNUAL REPORT 2021**

The Cyber Security Annual Report for 2021 was presented for the Committee's consideration. The report set out the common cyber threats facing the Council and outlined the mitigating and operational controls that are in place to detect and prevent malicious activity.

The ICT Cyber Security Officer provided an overview of the main messages from the report including the notable challenges in cyber security which the Council encountered during 2021 and how these were addressed and/or resolved. The Committee was advised that the Council has a wide range of technologies that help detect and/or prevent cyber-attacks on the network and that all the measures that are in place are geared towards strengthening the Council's cyber-security posture. During the year the IT Service employed two new members of staff who are dedicated to the discovery, remediation and prevention of vulnerabilities within the Council's network. The Service is also in the process of procuring additional technologies to aid in early detection of vulnerabilities and intrusive events which will work alongside the technologies already in place. Additionally, updates to policies and procedures have been taking place during 2021 which will help strengthen the investigative process when responding to incidents. The report also notes some of the challenges going forward in dealing with the growing volume and sophistication of cyber threats in terms of having to continuously review and update approaches and the resources which this entails.

**It was resolved to accept the Cyber Security Annual Report for 2021 and to note its contents.**

**Councillor Peter Rogers  
(Chair)**