

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON FRIDAY 12 OCTOBER 2012

Present: County Councillor A W Davies (Chair)
County Councillors J H Brunt, Mrs E R Davies, Mrs S C Davies, P Harris, E A Jones, M J Jones, Mrs F Jump, H Lewis, J G Morris, W D Powell, D Thomas, R G Thomas, G P Vaughan, Mrs A York and Mr J Brautigam (Independent Member)

In Attendance: County Councillor D Davies (Portfolio Holder for Finance),

1.	APOLOGIES	A32 – 2012
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Apologies for absence were received from County Councillors L R E Davies, L Fitzpatrick, R H Mills and W J T Powell as well as the Strategic Director, Finance and Infrastructure and Mr M Jones, WAO.

2.	DECLARATIONS OF INTEREST	A33 – 2012
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Declarations of interest were received from Councillors E A Jones and M J Jones, as Members of the Pensions and Investment Committee, Councillors Mrs S Davies and D A Thomas regarding Item 8, establishing a review group to assess the Schools ICT issue in Ystradgynlais and Councillor G P Vaughan a personal and prejudicial interest regarding Item 5 Risk Management and Insurance where it related to transport contracts.

3	DECLARATION OF PARTY WHIPS	A34 – 2012
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There were no declarations of party whips.

4.	MINUTES	A35 – 2012
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The Chair was authorised to sign the Minutes of the last meeting as a correct record subject to County Councillor T J Van Rees' apologies being recorded.

Arising thereon:

A paper by the Tax Alliance was circulated regarding the pension fund deficit and a comparison between Powys' position and other local authorities. Mr Brautigam also raised issues from the last triennial valuation.

Issues:

- Assets increased by 6.8%, liabilities increased by 13.8%
- Little control over investment income
- New pension scheme being implemented in 2014
- Actuarial review 2013
- Discretionary payments
- Pensions inflated in latter years of service
- 69 ill health retirements over four year period – any additional ill health retirements should have been referred to the Actuary.
- Management of the Fund was within the remit of the Pensions and Investment Committee not Audit Committee

- A previous government had recommended a payment holiday which Powys, and other local authorities took advantage of.
- Pension deficit £230M

Outcomes:

- Further information required:
 - What are discretionary payments
 - Who are they made to
 - What is the extent of these payments
 - Who authorizes the payments
 - What is the affect on liabilities
 - How many officers have been promoted in the latter years of their service
 - How many ill health retirements have there been in the four year period
 - If there have been more than 69, has this been referred to the actuary
- A report to be presented to the next meeting along with other comment from the WLGA.

5.	RISK MANAGEMENT AND INSURANCE	A36 – 2012
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Documents Considered:

- Report of the Portfolio Holder for Finance, County Councillor D Davies.

Issues:

- Total of 52 risks identified – 9 high, 37 medium, 6 low
- Inability to recruit skilled staff
- Staffing levels to be reduced by 500 -700 – should there be a moratorium on recruitment.
- Loss of data and Action Plan by Information Governance Group
- Overspends in Adult Social Care and Children’s Services budgets
- Variances
- Reablement performance indicators
- WAO report into Review of Budget Volatility in Adult Social Care
- Pooled budgets
- Welfare reform
- High School budget deficits
- Early warning systems
- LES – closed landfill sites, insurance
- Failure to respond to Regulators and/or Internal Audit reports
- Insurance Fund
- Uncertainty with transport contracts

Responses:

- The inability to recruit skilled staff hinders the proper development of services.
- A presentation was given outlining the work of the Information Governance Group.
- There is a projected £3.5M overspend in Adult Social Care although this includes a £1.2M variance due to over commitment. Additional money had been included within the budget to deal with demographic pressures but this has not proved to be adequate. In addition the Powys teaching Health Board is identifying clients who will no longer receive services from them and there is

no clarity as yet as to how many clients may require intervention by Adult Social Services or how much this will cost the Authority. Officers are working to mitigate the influx of clients but this is unlikely to affect this year's overspend. Reablement is working well in some areas.

- Work is in hand to reduce variances. However there are real risks in relation to demography – this is not unique to Powys.
- A PI had been established to measure the reduction in care following implementation of better reablement services. The measure had proved disappointing but it became apparent that this was due to those not requiring any support not being included within the data.
- WAO had indicated that structures within ASC were not right. There was no timetable given within the Action Plan to address issues raised. There were also queries regarding the way in which data was recorded.
- There had been an increase in Looked After Children, many of whom remained in care longer than was hoped due to lengthy court cases. Although numbers were not reducing they were now stable.
- Irrespective of the legal framework, the Authority works closely with the LHB, including pooled budgets
- The Welsh Government has produced a 10 year strategy for sustainable delivery of social services. The Director of Social Services has been involved at a local and national level. Social Service budgets are being protected next year with some additional funding for demographics and protection.
- New financial regulations are in draft for dealing with deficit school budgets. Officers are working closely with schools. Action Plans are in place and monitoring is to commence. It was considered that there were too few sanctions in place for those failing to meet requirements under the proposed new Cabinet policy.
- The draft Scheme for Financing Schools will ensure that schools remain within budget and that reserves will only be used to assist in the short term.
- Some training has taken place with secondary schools – the documents are currently out for consultation but will clarify roles and responsibilities.
- Insurance for closed landfill sites had been obtained. The cost was £188K plus tax for 5 years.
- There was a weakness in the system regarding the monitoring of actions arising from adverse audit reports etc. A number of adverse ASC reports had been made as well as internal audit reports which had not been followed up. There was a lack of monitoring and accountability.
- An Insurance Fund is maintained and currently stands at £3.2M. Brokers suggested that this was underfunded by £1M in the unlikely event of all liabilities being realised.

County Councillor G P Vaughan declared a personal and prejudicial interest in relation to transport contracts and left the meeting during discussion of this item.

- All contracts are currently out to tender and there is uncertainty around the costs. There was a policy regarding school transport which was recently suspended pending further work. Members asked for information clarifying the current position regarding the School Transport Policy

Outcomes:

- The Portfolio Holder was asked to report the Committee's grave concerns regarding overspends and use of reserves to the Cabinet.

- Copies of Protocols to be circulated to Members for information together with information relating to current school deficits, both licensed and unlicensed.
- Details of the exceptions and reservations on the insurance policy for closed landfill sites would be circulated for information together with the detail of any continuing liability for the Authority.
- Future reports would contain a list of medium and low term risks to ensure Members were fully aware of issues.
- The Portfolio Holder for Learning and Leisure would be asked for clarification regarding the School Transport Policy.
- Report weaknesses regarding implementation of regulators' recommendations to the Executive.

6.	TREASURY MANAGEMENT	A37 – 2012
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Documents Considered:

- Report of the Portfolio Holder for Finance, County Councillor D Davies

Issues:

- No loans maturing until 2020
- Funds in Icelandic banks

Responses:

- Funds currently in Escrow in Iceland due to the currency restrictions could not be left there, despite current attractive interest rates, once the restrictions are lifted, as this would not comply with the Council's current investment strategy. The original forecast of annual distributions has been exceeded with three distributions so far in 2012.

7.	FINANCIAL OVERVIEW AND FORECAST	A38 – 2012
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Documents Considered:

- Report of the Portfolio Holder for Finance, County Councillor D Davies

Issues:

- A Working Group had been established at the last meeting which would consider future reports in detail. This report was now out of date but highlighted issues.
- The position at Q2 was looking slightly worse than at Q1
- As discussed under risk management both Adult Social Care and Local Environmental Services were showing overspends.
- Only 11.5% of the Capital Programme had been spent. This impacts on Treasury Management.
- Reserves
- Profiling of budgets
- Lack of Action Plans to address deficits
- Is the balance of funding between Education and Adult Social Services correct?
- Every £1M overspend equates to 2% on Council Tax
- Inability of Cabinet to balance budget
- Section 151 Officer's concerns regarding the financial position

Responses:

- Reserves are down by £12.6M. This was planned in delivery of the Council's strategies, including the rolling out of the new waste strategy. It was accepted that 3-5% should be retained as reserves – the Council currently retained 2.38%.
- The Q2 position had not shown any improvements due to an increased deficit in Adult and Commissioning, £2.7M transport and severance pay in Schools and Inclusion, and reduced fee income in planning services.
- There was some confusion in the way in which budgets were shown in the report. Further work was being undertaken regarding how corporate services were recharged across budgets. Consideration would also be given to improving the format of reports for clarity.
- The Portfolio Holder was concerned with overspends and was working with other Portfolio Holders to address the matter. Although he was responsible overall for financial matters, he had no control over the spending of budgets

Outcomes:

- New reporting format to be considered.
- The Audit Committee ask that the Cabinet take immediate notice of the views of the Section 151 Officer and address immediately points 1.5 and 3.3 (Portfolio Holder for Finance's report to Cabinet 11 September 2012), and that action is taken to address Action Plans to ensure each service department remain within budget. The Audit Committee at its next meeting wish to be informed of the steps which the Cabinet proposes to take to ensure the reserves of the Council remain at acceptable levels as promulgated by the WAO.

County Councillor J Brunt left the meeting at 13.20.

8.	WORKING GROUPS	A39 – 2012
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Documents Considered:

- Scrutiny Summary Report
- Ystradgynlais Schools Modernisation Programme: ICT - Report of the Portfolio Holder for Learning and Leisure, County Councillor Myfanwy Alexander, to Cabinet on 31 July 2012

Issues:

- Consider undertaking a spotlight review to ensure that appropriate procedures are in place to prevent a recurrence of such an issue.

Outcomes:

- Chair, Vice Chair, County Councillors W D Powell and Mrs A York, and Mr J Brautigam to undertake the review.

9.	WORK PROGRAMME	A40 – 2012
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Documents Considered:

- Work Programme

Outcomes:

- The work programme be amended to include items raised during the course of the meeting.

10.	CORRESPONDENCE	A41 – 2012
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There was no correspondence.

A W DAVIES
CHAIR

Audit Committee
12.10.2012 10.30-13.25