

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON THURSDAY 21 MARCH 2013

Present: County Councillor A W Davies (Chair)
County Councillors J H Brunt, Mrs E R Davies, Mrs S C Davies, L R E Davies, P Harris, Mrs F Jump, R H Mills, J G Morris, D Thomas, R G Thomas, G P Vaughan, Col T J Van Rees, Mrs A York and Mr J Brautigam (Independent Member)

In Attendance: Messrs M Jones and A Veale, WAO

1.	APOLOGIES	A14 – 2013
-----------	------------------	-------------------

Apologies for absence were received from County Councillors M J Jones, H Lewis, W J T Powell and D Mayor.

2.	DECLARATIONS OF INTEREST	A15– 2013
-----------	---------------------------------	------------------

Councillor EA Jones declared a personal interest in Item 14 as a member of the Local Government Pension Scheme. Councillors Mrs S Davies and D Thomas declared personal interests in Item 8.3, Schools ICT.

3	DECLARATION OF PARTY WHIPS	A16 – 2013
----------	-----------------------------------	-------------------

There were no declarations of party whips.

4.	MINUTES	A17– 2013
-----------	----------------	------------------

The Chair was authorised to sign the Minutes of the last meeting held on 10 January 2013 as a correct record.

5.	JOINT CHAIRS STEERING GROUP	A18 – 2013
-----------	------------------------------------	-------------------

Documents Considered:

- Notes of meeting held on 22 February 2013.

Outcomes:

- Noted
-

6.	FINANCIAL OVERVIEW AND FORECAST	A19 – 2013
-----------	--	-------------------

Documents Considered:

- Financial Overview and Forecast as at 31 January 2013

Issues:

- Adult Social Care Overspend
- Reliability of data given wide differences between 30 November and 31 January
- Financial management – surpluses should be as much a concern as overspends
- Accountability and responsibility of managers
- Schools do not have clarity on finalized budgets

- Fair Funding Formula
- Housing Revenue Account and Wales Housing Quality Standard
- Capital Budget

Responses:

- Two Members of the Committee had attended the Adult Social Care scrutiny group which had been very informative. Registers were out of date and did not match other registers giving little certainty regarding figures. The most recent period end shows a slight improvement in the overspend within this service area and there is continuing work to ensure all registers are up to date. Concerns were raised at the Adult Social Care Group that information was not being communicated with Finance Section. The Accountancy Manager reported that a greater degree of rigour was being undertaken in ensuring managers within Adult Social Care were aware of the forthcoming year's budgets and the level of savings that need to be achieved.

Work was ongoing in focussing on different sections within Adult Social Care to ensure accurate forecasting was possible. This has been done with nursing and residential care where there are between 500 and 600 clients). The next area will be those with the high end spectrum of needs which is a relatively small group. The issues surrounding domiciliary care will then have to be addressed where the systems are more complex. Behavioural work is being undertaken across the authority to improve the culture. Similar systems were in place in Children's Services but do not seem to work as well in Adult Services.

The WAO had been commissioned by Scrutiny to undertake work regarding the variances experienced within the service area. Although all authorities across Wales experience some variances, the WAO found the systems used to be unreliable and information could not be matched between the three systems in use. The report concluded that most domiciliary care was provided by external bodies with the associated risk of fraud to contend with as well as the overspend. The report would be made available to Members of the Committee.

Internal Audit had also been asked to assess where the bottlenecks in the system were and their investigations show clearly that these lie with the service and not with either Finance or the BPU.

- Demographics are cited as the reason for the increase in expenditure within Adult Social Services. However the older resident population is increasing by around 2.5% whilst the budget has increased by 10%. More analysis has been carried out and it appears that there are fewer new clients but existing clients require an enhanced level of services. Other factors such as a more aggressive discharge policy and a £50 cap on domiciliary care have all influenced expenditure. It was essential to understand what was driving the service to enable it to be managed effectively.
- There has been a pattern of underspends over corporate services for a number of years. Three years ago a commitment was made to reduce headcount by 10% over the period, the brunt of which has been borne by central service area. Savings targets have been achieved but these counteract those services which are overspending.

- There were concerns that these issues had existed for some time and that managers were not being held to account. A number of adverse reports have been received but little improvement noted. Members queried whether the Executive was taking sufficient responsibility for the issue. Once the senior restructuring is complete, each manager will have a balanced scorecard upon which each evaluation will be carried out. This will include financial management in addition to service issues. The WAO had indicated that the service needed to take ownership of finance and performance issues which had been devolved to corporate service area.
- Schools budgets have been delayed due to staff changes and financial implications of Job Evaluation. Schools are now given a three year budget forecast, including changes in pupil numbers. This information was essential in assessing whether redundancies needed to be made.
- There was not enough transparency in the Fair Funding Formula. In changing to a curriculum based model some schools appeared to receive less funding than prescribed. Internal Audit had undertaken work in this area. A report had been produced and further work could be undertaken to assess whether the revised proposals meet legislative requirements and is open and transparent. The review had intended to ensure that the Formula was clearer to understand. Formulas across the region were quite different and only Powys County Council had moved to a stepped curriculum model. It was intended that the Formula would be reviewed again in consultation with Ceredigion.
- The HRA was showing a surplus pending works to be undertaken to meet the WHQS by March 2018. There had been delays in getting the appropriate frameworks into place but general repairs were being delayed to be incorporated within WHQS work. Delaying of general repairs was not realistic and the issue should be referred to Housing.
- An additional £600L had been allocated to undertake capital works at schools. This has been spent allowing existing funds to be rolled over into the next financial year for further works. There had been virements and requests for additional funding to finalize schools modernisation works at Ystradgynlais which had led to other projects being put on hold. Further information would be provided on the final costs and whether any funds were available for other projects.

Outcomes:

- The WAO report into Adult Social Care would be circulated to Members.
- An urgent letter is sent to the Leader and Chief Executive highlighting the Committee's concerns.
- Internal Audit to reassess the outcomes of the review into the Fair Funding Formula.
- Housing Service be asked to address the delays in repairs

7.	TREASURY MANAGEMENT	A20 – 2013
----	----------------------------	-------------------

Documents Considered:

- Report of the Portfolio Holder for Finance

Issues:

- Income Management System
- Triple A status of banks

Responses:

- The new system is scheduled to be implemented between May and September 2013. There should be no break in service and training is being undertaken to ensure staff are able to enter and update data in a timely manner.
- Although the UK had lost its triple A status, the government backed banks had retained this status. Despite having been downgraded the UK remained respected. Since the banking crisis in 2008 the authority has been carrying cash investments. In previous years income from investments had underpinned the revenue budget and this was no longer available. Borrowing had been reduced from £50M to £18M.

8.	WORKING GROUPS	A21 – 2013
-----------	-----------------------	-------------------

8.1 Finance and Performance**Documents Considered:**

- Scrutiny Summary Report

Issues:

- Ability of Group to meet

Responses:

- The Group had not met as often as had been hoped but it was intended that in future, it would meet monthly to consider expenditure and whether savings were being achieved.

Outcomes:

- County Councillor Mrs A York would replace County Councillor G P Vaughan on the Group.
- Dates for meetings would be circulated

8.2 Internal Audit**Documents Considered:**

- Scrutiny Summary Report

Issues:

- Management of Construction Projects Scrutiny Review
- Action Plans

Responses:

- A scrutiny review into construction projects had been completed in June 2011 but had only been considered by Cabinet in April 2012. It had been recommended that an Action Plan be drawn up but this has not been completed. It was thought that there were several very valid recommendations which could have a significant affect.
- Lines of accountability, responsibility and communication were not clear in all Action Plans.

Outcomes:

- That the scrutiny report is referred again to Cabinet and that an Action Plan is produced.
- The format of Action Plans would be discussed at the next Working Group meeting.

8.3 Schools ICT – Ystradgynlais**Document considered:**

- Outcome Report

Issues

- Lack of budget for ICT in new build
- Lack of definition of requirements for 21 Century Schools ICT

Outcomes:

- Report approved for submission to Cabinet
- Post Project Review should be undertaken

9.	TRACKER OF REGULATORY ACTIONS	A22 – 2013
-----------	--------------------------------------	-------------------

It had become apparent that not all recommendations from Regulators were being fully acted on. The Joint Chairs' Steering Group had asked that a tracker be prepared to assist both Cabinet and Scrutiny Committees monitor the implementation of actions. A draft had been produced and would be submitted to Joint Chairs' Steering Group for approval.

10.	WORKSPACE STRATEGY	A23 – 2013
------------	---------------------------	-------------------

Documents Considered:

- Report of the Portfolio Holder

Issues:

- Lack of Strategy – draft strategy was not supported by the Portfolio Holder who intends to rewrite the strategy and resubmit. Members remained concerned at the lack of a Strategy, the number of vacant workshops and the deficit which was accruing.

Outcomes:

- Include on forward work programme

11.	WORK PROGRAMME	A24 – 2013
------------	-----------------------	-------------------

Documents Considered:

- Work Programme

Outcomes:

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

12.	CORRESPONDENCE	A25 – 2013
------------	-----------------------	-------------------

A letter had been received from the Chair of Pensions and Investment Committee in response to questions posed by the Committee. The Pension Fund deficit remained a serious concern, and, although the recent resurgence of the stock market may go some way to mitigate the deficit, further action may need to be taken. The Triennial Valuation was due later in the year. The WAO would consider a remedy to ensure the Fund is sustainable.

13.	ACCESS TO INFORMATION	A26 – 2013
------------	------------------------------	-------------------

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007.

14.	WAO – ANNUAL FINANCIAL AUDIT OUTLINE – POWYS PENSION FUND	A27 – 2013
------------	--	-------------------

Document considered:

- Annual Financial Audit Outline

Response:

- The document is in draft – the final would be presented to Committee in September alongside the Annual Financial Audit Outline for Powys County Council.

A W DAVIES
CHAIR