



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report

## Powys County Council

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# About the Auditor General for Wales

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Justine Morgan under the direction of Jane Holownia.



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# Summary report and recommendations

## Summary

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. This report sets out the findings of the work undertaken on behalf of the Auditor General by staff of the Wales Audit Office and draws on the work of the relevant Welsh inspectorates. The report covers Powys County Council's (the Council) delivery and evaluation of services in relation to 2012-13, its planning of improvement for 2013-14 and, taking these into account, records the Auditor General's conclusion on whether he believes that the Council will make arrangements to secure continuous improvement for 2014-15.
- 2 We found that in 2012-13 the Council responded well to issues raised by regulators by driving improvement in its education and social services and has significantly improved its waste recycling performance, but key targets for the implementation of its Welsh Language Scheme were missed. We came to this conclusion because the Council:
  - Is achieving improvement in its education services for children and young people.
  - Is maintaining sound performance in children's services and adult social care services are now moving in the right direction.
  - Has significantly improved its recycling performance and is working to improve the cost effectiveness of its waste management services.
  - Was late submitting its Welsh Language Scheme Annual Monitoring Report again this year; some targets have not been met and there is no high-level forum in place to discuss, promote and challenge the implementation of the language scheme.
- 3 We also found that robust scrutiny and improved performance management and reporting arrangements are developing a culture of self-evaluation within the Council, but this culture is not fully reflected in the annual self-assessment. We came to this conclusion because the Council:
  - is improving its arrangements for self-evaluation of service performance and of progress in achieving its improvement objectives but this improvement is not fully reflected in its Annual Performance Report to citizens;
  - has robust scrutiny arrangements which it is using to good effect in planning and delivering improvements; and
  - complied with its responsibilities relating to financial reporting and use of resources.

- 4 Finally, we found that, during 2013-14, the Council's planning for improvement and its arrangements to support improvement are sound in most respects. We came to this conclusion because the Council:
- has discharged its statutory improvement planning duties under the Local Government (Wales) Measure 2009 (the Measure) and is taking action to strengthen its arrangements to monitor and report progress against its improvement objectives;
  - is making good progress in implementing recommendations made by its regulators although more robust arrangements are needed to ensure that such recommendations, and those arising from internal audit and scrutiny, are collated and explicitly monitored in managing and delivering improvement; and
  - continues to manage its financial position robustly and responsibly and is developing plans to address the significant financial challenge it faces over the medium term.
- 5 Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

## Recommendations

- 6 We make no new recommendations this year, and this report sets out the progress the Council is making to address the proposals for improvement made in our previous reports. Those proposals for improvement are set out in our improvement assessment letters issued to the Council during the course of the year. These letters are available on our website: [www.wao.gov.uk](http://www.wao.gov.uk).

# Detailed report

## Introduction

- 7 Under the Measure, the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. This work has been undertaken by staff of the Wales Audit Office. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW), and the Welsh Language Commissioner (the Commissioner) we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 8 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of prioritised work undertaken this year.
- 9 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection and publish a report and make recommendations; and
  - recommend to Ministers of the Welsh Government that they intervene in some way.
- 10 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@wao.gov.uk](mailto:info@wao.gov.uk) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## The Council responded well to issues raised by regulators by driving improvement in its education and social services and has significantly improved its waste recycling performance, but key targets for the implementation of its Welsh Language Scheme were missed

### The Council is achieving improvement in its education services for children and young people

- 11 Following its inspection of education services for children and young people in February 2011, Estyn identified that the Council required further monitoring and this took place in October 2012. Estyn then found that too little progress had been made against its recommendations and categorised the Council as needing significant improvement. A monitoring plan was subsequently agreed and the first monitoring visit took place in October 2013, to review progress made by the Council. Estyn published the outcome of its visit in November 2013 and its findings are summarised in paragraphs 12 to 16.
- 12 Since the Estyn monitoring visit in October 2012 change and improvement have happened at a considerable pace both corporately and within the Schools' Service.
- 13 Following the monitoring visit elected members and the chief executive took immediate action to bring about changes at corporate and service levels to improve learner outcomes. Specifically, they recognised that urgent improvements were needed in the strategic planning, self-evaluation and performance management of the education services for children and young people. The chief executive took swift and decisive action

to remove barriers to progress. The Council approached Ceredigion County Council about collaborative working to make sure improvement was rapid. As a result they secured, and have successfully implemented, effective joint working arrangements.

- 14 During this period, the chief executive has assumed the statutory role of director of education, with Ceredigion County Council leading the improvement process alongside senior managers of Powys Schools' Service. The involvement of officers from Ceredigion has made a significant difference to the progress made by the Council, the Schools' Service and the authority's schools. Their involvement has enabled the Council to undertake a complete reconfiguration of the service in order to bring about sustainable improvement.
- 15 Much of this work has been driven by the introduction from Ceredigion of a comprehensive and robust planning and accountability framework. This consists of detailed plans at several levels from personal development plans to service plans, and business plans. All these plans have nominated responsible officers and all feed into the education service business plan which incorporates the Estyn post-inspection action plan. This framework is underpinned by an agreed reporting structure to cabinet and to performance scrutiny, with quarterly review dates for each plan.

- 16 There is now much greater transparency in the work of the service and also in its communications with schools. The Council has improved stakeholder engagement in its decisions. In October 2012, although senior officers and key elected members understood the challenges faced by the Council, progress in addressing them was too slow. The understanding of the challenges and shortcomings goes much further now. Officers and schools have all shown that they realise the need to improve and their willingness to work towards achieving this.
- 17 Estyn carried out a further monitoring visit, in May 2014, to review progress made by the Council in schools improvement and additional learning needs. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the Council is no longer in need of significant improvement and is removing it from further follow-up activity.
- The Council is maintaining sound performance in children's services and adult social care services are now moving in the right direction**
- 18 The CSSIW published its *Annual Review and Evaluation of Performance 2012/2013* in October 2013 and this is available on its website: [www.cssiw.org.uk](http://www.cssiw.org.uk). The CSSIW's findings are summarised in **paragraphs 19 to 25**.
- 19 Throughout 2012-13 the Council shared a Director of Social Services with Ceredigion County Council. The Council has now decided to discontinue this arrangement and has made a separate permanent appointment to a director's post for Powys alone. A major challenge will be the need to respond to budget pressures without the benefit of the efficiency gains a merger may have provided. However, both councils will continue to collaborate in a number of ways in order to save money and streamline activity.
- 20 The CSSIW reported that the Director of Social Services' report reflects the work needed to improve adult services and provides evidence of the ongoing work to achieve this. In response to the critical findings of a joint CSSIW/Wales Audit Office review in 2011-12, the Council has devoted significant attention to improving adult social care services. The Council has ensured that the identified areas for improvement and the recommendations of the review are embedded into service improvement plans and the Council is making progress against these.
- 21 A follow-up review/inspection of adult services by the CSSIW in March 2013 confirmed that progress is being made and that the service is moving in the right direction. Performance against national indicators has largely been maintained, despite increasing demand for services.



- 22 According to the CSSIW, better integration with health is making a big difference to service delivery, with GPs having a much greater understanding of the role of social workers. In addition, coherent leadership and positive culture change, especially in adult services, is helping to sustain service improvement. Consistent, clear communication, together with improved leadership has led to better staff engagement although further work is necessary.
- 23 Children's services have maintained their already positive performance throughout 2012-13. There are strengths in the delivery of 'front door' services, for example the timeliness of decision making, the quality of assessments and partnership working with other agencies. Improvement is evident across a number of performance indicators in 2012-13. The Children and Young People's Partnership and the Local Safeguarding Children Board continue to provide a robust strategic framework for children's services to work within, alongside partner agencies. The CSSIW also reports that the stability and visibility of senior management has kept children's services at the forefront, despite competing demands for resources from adult services.
- 24 The CSSIW identified the following potential risks:
- Financial challenges and £2.8 million overspend in adult services. The Council recognises the volatility in the adult services budget and the risks associated with a reduction in health funding for learning disability services.
  - Maintaining sufficient momentum in transforming adult social care, especially in the light of collaboration.
  - Ensuring effective governance and oversight of the various collaboration arrangements especially where differing boundaries in relation to health boards could cause problems.
  - The regionalisation of the Local Safeguarding Children Board functions.
- 25 The CSSIW also identified the following areas of good practice:
- strong partnership arrangements in children's services supported by the local resource solution panel and a robust and well-developed children and young people's partnership; and
  - engagement and consultation with partner agencies and the reciprocal commitment to improve services for people established through the use of challenge events.

## The Council has significantly improved its recycling performance and is working to improve the cost effectiveness of its waste management services

26 Waste management is one of the services that contributes to the Council's improvement objective to tackle climate change. The Council aims to transform the waste service into a recycling service and reduce the amount of waste sent to landfill. Despite making good progress during 2012-13, the Council narrowly missed the national target to recycle 52 per cent of its waste by March 2013, achieving 50.9 per cent. This places Powys 16th out of 22 councils in Wales and makes it the most improved authority in Wales over this period. Tonnages sent to landfill (and associated costs) demonstrate a satisfactorily downward trend but also fell just short of the target the Council set itself for 2012-13. The Council understands the reasons for this underperformance and is taking appropriate action to address them.

27 Weekly kerbside collections of food waste and dry recycling together with fortnightly collections of residual waste are encouraging greater participation in recycling. Eighty-five per cent of households are now served by kerbside recycling, exceeding the Council target of 80 per cent set for March 2013. A range of education and promotional activity is helping to raise public awareness, together with work on waste minimisation. The Council has reviewed the geographical distribution of Household Waste Recycling Centres (HWRCs) to ensure that they are

as accessible to residents as possible. It has also purchased and re-tendered on new sites to gain more control over their performance. Two HWRC sites in particular are falling short of the Council's target to recycle 75 per cent of the waste they process. The Council is carefully monitoring and where possible, re-negotiating contracts for HWRC performance. Many contracts are old and not incentivised in favour of recycling, resulting in significant variations in performance among different sites. However, renewing contracts with stricter financial penalties for underperformance will significantly add to costs and the Council has still to decide how it is going to resolve this at a time of strict budgetary restraint.

28 Previous failure to adequately address health and safety issues has delayed the introduction of specialist multi-purpose vehicles for kerbside recycling collection by over a year. This has affected recycling performance and significantly added to service costs. Reliance on less-efficient collection arrangements and the need to hire alternative vehicles in the interim contributed to a £1 million budget overspend in 2012-13. In response, the Council has now strengthened its approach to improvement planning and is taking a more rigorous approach to risk and project management. A comprehensive improvement programme is in place, with strong political leadership. Improvement planning is supported by a project board with representation from a wide range of related services. Clear targets are in place both to improve performance and the service's cost effectiveness. The service has a high-profile politically. Pro-active involvement of scrutiny in challenging

decisions and monitoring progress has added value in a number of areas such as vehicle procurement, distribution of HWRCs as well as a range of education and promotional activities.

- 29 Service costs are comparatively high and a key driver of the improvement programme is the need to improve its overall cost effectiveness. The rollout of new bespoke collection vehicles and the planned introduction of more efficient ways of working will assist with this. The Council has identified the need for three strategically located bulking sites for the efficient processing and onward transfer of waste. Two have been secured in the south and centre of the county, with a third in the north yet to be identified.
- 30 The Council has been actively involved in the Welsh Government Collaborative Change Programme for some time. This has provided external expertise to support its improvement agenda, for example in developing a strategic approach to trade waste, contract tendering and securing funding for items of capital expenditure such as the purchase of bulking sites and HWRCs. Joint working with Ceredigion has secured a shared contract for food waste processing through the Central Wales Waste Partnership. The Council benchmarks its performance and costs with other Welsh and English councils such as Conwy, Monmouthshire and Herefordshire and Worcestershire. The Council also participates in the Welsh Local Government Association benchmarking group in relation to trade waste. The Council has ambitions to develop this work further and use it to learn and share good practice.

The Council was late submitting its Welsh Language Scheme Annual Monitoring Report again this year; some targets have not been met and there is no high-level forum in place to discuss, promote and challenge the implementation of the language scheme

- 31 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 32 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

33 For 2012-13, the Commissioner reported that: 'A customer satisfaction survey on the Council's Welsh language services will be held during 2013-14. A group has been established in order to conduct impact assessments on equality and the Welsh language. There was a substantial delay again this year in receiving the annual monitoring report on implementation of the Welsh language scheme. As a result, the monitoring process has not been completed. Targets identified as priorities during last year's monitoring process have not been reached, i.e. the establishment of a baseline for the number of Welsh language services provided, and completing the recording of the staff's language skills level. However, more language skills data has been collected since last year, representing 47.9% of the workforce compared to 19.4%. The Council acknowledges that there is no high-level forum to discuss and promote matters involving the Welsh language, or to scrutinize the implementation of the language scheme. Re-establishing the scrutiny process was one of the Commissioner's recommendations last year.'



## Robust scrutiny and improved performance management and reporting arrangements are developing a culture of self-evaluation within the Council, but this culture is not fully reflected in the annual self-assessment

### The Council is improving its arrangements for self-evaluation of service performance and of progress in achieving its improvement objectives but this improvement is not fully reflected in its Annual Performance Report to citizens

- 34 The Council published an assessment of its performance during 2012-13 in its *Annual Performance Report 2012-13* (the Report) before 31 October 2013 in line with statutory requirements. Both the full version and a bilingual summary are available on the Council's website, and a copy of the summary has been distributed to all households in the Council's *Redkite* magazine.
- 35 Both the Report and summary give a more fair and balanced account of performance than in previous years, acknowledging areas of weaker as well as stronger performance. Performance information is adequately reported in relation to targets set, and where appropriate, is compared with the Wales average although there is scope to articulate more clearly what this information means and what the Council has done in the light of it. The role of collaboration and partnership working is well integrated into reporting although more could be done to evaluate the specific contribution this is making to improvement, which would help the Council to judge its cost effectiveness.

- 36 However, once again the Report (published in October 2013) fell short of its purpose of providing citizens with a coherent picture of the Council's performance and a clear evaluation of progress towards achieving its improvement objectives. Despite the broader evidence base, there remains an overreliance on numerical outputs, completed actions and improved processes to demonstrate the progress the Council is making.

- 37 Subsequent developments, in particular work to improve performance management and self-evaluation in education, are being incorporated in the corporate performance management framework. Officers are learning from the progress made in education and utilising this to improve the corporate arrangements for self-evaluation of service performance. A consistent and effective model has been developed to evaluate actions and their impact, and identify further work that needs to be done. Officers responsible for areas of work understand well that they must rigorously evaluate the progress made and are accountable for it. The key documents within this model, Performance Evaluation Grids, contain evidence which is made available to officers and scrutiny members for quarterly review and challenge. These improved arrangements for performance assessment and evaluation, together with more robust performance data and clearly focused improvement plans, should enable the Council to prepare and publish a much improved Annual Performance Report in October 2014.

### The Council has robust scrutiny arrangements which it is using to good effect in planning and delivering improvements

- 38 The Council engaged positively in the national Scrutiny Learning Exchange project and has made changes to its scrutiny arrangements as a result. We will monitor the effectiveness of those changes over the coming year as part of our improvement assessment work programme.
- 39 The Council continues to use the scrutiny function to good effect by subjecting its annual improvement plans to robust internal challenge. The Chairs and Vice Chairs of Scrutiny provided a thorough and well-considered challenge to the draft *Powys Change Plan 2013-16* and identified many opportunities to clarify its content. The Council took action to address the issues raised, either by revising the draft Plan or agreeing to reflect the comments in subsequent plans. Where such action was not considered appropriate, officers provided members with the reasons. This challenge process is good practice and should remain a permanent fixture in the Council's forward planning calendar.
- 40 Estyn reported in November 2013 that member scrutiny and challenge is good. They highlighted that the Council's scrutiny working groups, which consider different aspects of service delivery, were rigorous in their questioning and held members and officers effectively to account. Officers respond well when challenged by scrutiny and make appropriate changes. The Education Scrutiny Working Group has produced a very clear and useful report on the progress made in improving the education service. This report is evaluative and thorough and includes clear recommendations to the portfolio holder for learning.

### The Council complied with its responsibilities relating to financial reporting and use of resources

- 41 The auditor appointed by the Auditor General issued his unqualified audit opinion on the Council's accounting statements on 30 September 2013, confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. However, he identified and reported a number of issues which adversely affected the timeliness and efficiency of the audit and approval of the Council's financial statements. The Strategic Director – Resources is leading a review to identify and implement the necessary remedial action. [Appendix 3](#) gives more detail.

## The Council's planning for improvement and its arrangements to support improvement are sound in most respects

### The Council has discharged its statutory improvement planning duties under the Measure and is taking action to strengthen its arrangements to monitor and report progress against its improvement objectives

- 42 In our assessment of the Council's improvement objectives (known as *Key Areas for Improvement*) and its annual improvement plan (called the *Powys Change Plan 2013-16*), we concluded that the Council had discharged its improvement planning duties under the Measure and has acted in accordance with Welsh Government guidance. The Plan is a significant improvement on the 2012-2015 version; it is more user-friendly, contains less jargon and satisfactorily addresses most of the proposals for improvement that we have previously brought to the Council's attention.
- 43 The Plan provides a summary of the key issues raised during consultation and makes good use of relevant feedback to support individual key areas for improvement; these are set out in [Appendix 4](#). The Plan is informed by the outcomes of consultation from a residents' survey, a young people's survey and a citizen's panel. The Council has produced its Plan in a more user-friendly format this year. It is well laid out, has a contemporary feel and makes good use of photographs as a way of engaging the reader.
- 44 The Plan provides a good balance between detail and brevity. It focuses on high-level messages but provides web addresses for readers seeking more comprehensive information on a range of issues such as the Strategic Equality Plan and the Welsh Language Scheme. It also devotes a full page setting out how citizens can get involved, with a range of ways to contact the Council, asks for feedback on the key areas for improvement and encourages readers to suggest new ones. The Plan is published in Welsh and English on the Council's website and promoted through articles in the Council newsletter, *Redkite*, which is distributed to all households. Hard copies are available in libraries although the Council expects most readers to access the Plan from the website; the Plan is well signposted from the homepage and can be downloaded or viewed online as an easy-read e-book version.
- 45 Our audit and assessment work has identified scope to strengthen the Plan in one important aspect. Where the Council is using performance indicators (whether statutory or local) as measures of success, baseline and targeted performance data is needed to clearly express the scale of improvement the Council is aiming to achieve and to enable performance monitoring and evaluation to be effective. In the current version of the Plan, this necessary data is missing from a significant proportion of success measures, an omission that was also identified by the internal challenge process.

46 This year's Change Plan introduced new and more appropriate success measures; over two-thirds of the success measures in the Plan are substantially different from those used in the previous Plan (2012-13). As a result, reliable baseline data was not available and so the Council was reluctant to set targets. The absence of specific targets means that the scale of the Council's ambition is unclear. More crucially, the Council's ability to effectively monitor progress or identify underperformance is compromised.

47 The Council recognises that it needs to address this important issue. One of the significant governance issues it reports in its latest Annual Governance Statement clearly reflects this: 'The Council must improve its own critical self-assessment ..... Greater clarity on our outcomes will enable more sustained and focused challenge whether those outcomes are being delivered.' Accordingly, the Council is taking action to strengthen its portfolio of success measures, clarify its targets and make better use of baseline data it already holds. A comprehensive process of refreshing the success measures and developing project plans for individual improvement initiatives is now underway. To further strengthen its improvement planning, and in recognition of the Welsh Government's *Shared Purpose – Shared Delivery* strategy, the Council has merged its own corporate plan into a single integrated plan called the *One Powys Plan 2014-2017*. This is a plan for change between all partners in the Powys Local Service Board.

48 We will review the Council's progress in improving the quality and accuracy of its local performance data, and seeking wider engagement on its improvement planning with citizens in our next cycle of improvement assessment work.

**The Council is making good progress in implementing recommendations made by its regulators although more robust arrangements are needed to ensure that such recommendations, and those arising from internal audit and scrutiny, are collated and explicitly monitored in managing and delivering improvement**

49 The Council is working to address many of the recommendations and proposals for improvement we have previously made, but more needs to be done to ensure that these are consistently applied and fully effective.

50 In line with our previous recommendations and proposals for improvement, the Council is making progress by:

- better focusing the Council's improvement planning on outcomes for citizens and developing relevant success measures;
- improving adult social care services, such progress having been recognised by CSSIW;



- continuing to develop the role, work programme and rigour of its scrutiny function, such progress having been recognised by Estyn;
- workforce plans being completed by services which are collated and monitored at a corporate level; and
- under the Organisational Development Plan, improving capacity and capability through collaborative work with the University of South Wales to develop a comprehensive coaching programme, and strengthen programme and project management capacity.

51 In October 2013, Estyn reviewed the Council's progress in implementing five specific recommendations it had raised previously and reported that the Council had made good progress in respect of each of them.

52 However the Council recognises that it needs to develop more robust arrangements to ensure that all actions recommended by its regulators, and those arising from internal scrutiny, are collated and embedded into its plans so that members and senior officers can effectively challenge progress and hold those responsible to account.

### The Council continues to manage its financial position robustly and responsibly and is developing plans to address the significant financial challenge it faces over the medium term

53 Following the 2014-15 local government settlement (announced on 11 December 2013), the Council identified a funding shortfall for 2014-15 of £17.56 million, a gap that will rise over three years to an estimated £40 million if the Council does not reduce its base budget. All the indications are that austerity measures will continue into the foreseeable future and the Council estimates that it will need to secure a further £30 million cost reduction over the period 2017-2020. Despite a very challenging grant settlement from the Welsh Government, the Council has set a balanced budget for 2014-15 which includes a 4.5 per cent increase in council tax. Of the £17.56 million deficit remaining after the rise in council tax, £10.7 million will be funded from savings identified by directorates. For 2014-15, the Council has taken an element of 'salami slicing' in its approach to savings, with each directorate being charged with a percentage savings target. However, the approach was not applied across all areas with some services receiving an element of protection. Directorate saving plans have been moderated and modified to ensure proposed savings are deliverable and have the least impact on service delivery. The Council has yet to identify the further £7 million of savings needed over this financial year but is working towards transforming

and remodelling its service delivery rather than cutting services. The Council needs to develop and deliver its savings plans at pace if it is to meet the significant financial challenge it faces this financial year and over the medium term.

54 Over the medium-term, the Council is planning to use a more targeted approach to savings, using cross-cutting streams. The financial saving plans are to be developed within the framework of the Council's Statement of Intent, to ensure that financial management is in line with corporate priorities and the strategies and direction reported in the Statement of Intent. The cross-cutting themes identified to date are:

- maximising income streams and identifying potential for new income streams;
- review of all third-party spend and procurement;
- a Service Commissioning Review – using benchmarking and costing information to take informed commissioning decisions;
- management delayering;
- a review of transport provision, looking to improve utilisation of vehicles and reduce lease costs;
- review support functions to identify potential for aggregation;

- enabling services to take informed decisions through the use of improved management and cost information; and
- developing more online and electronic 'channels' for users to use.

55 The Council is also actively developing its community engagement in order to identify community needs and plan a bespoke approach to local service delivery. The aim of this work is to deliver better services to citizens at reduced costs. The Council's elected members are to take a key role in helping shape the delivery of community services. Such a commissioning approach, linked to neighbourhood management, has been successfully piloted in Newtown.

56 Capital expenditure is planned to remain at similar levels to recent years, but will be funded more through capital grants than financing.

57 The increasing financial challenges put significant pressure on officers and members alike. However, the steps being taken such as the restructuring of finance and support services in the Resources Directorate give confidence that the Council is endeavouring to manage its financial position robustly and responsibly. We will continue to monitor how the Council develops its detailed proposals to manage its financial position.

- 58 The Wales Audit Office is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enable them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

## The Council is likely to make arrangements to secure continuous improvement for 2014-15

- 59 Based on the conclusions outlined in the previous sections of this report, the Auditor General believes that the Council is likely to meet the requirements of the Measure in making arrangements to secure continuous improvement.



# Appendices

## Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national park authorities, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2

### Useful information about Powys and Powys County Council

#### The Council

The Council spends approximately £299.8 million per year (2012-13). This equates to about £2,253 per resident. The Council's capital expenditure for 2012-13 was £52.7 million.

The average band D council tax in 2012-13 for Powys was £1,168.28 per year. This is an increase of 2.7 per cent over the previous year. 58.5 per cent of Powys' housing is in council tax bands A to D.

The Council is made up of 73 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 25 Powys Independent Alliance
- 8 Welsh Liberal Democrats
- 6 Welsh Labour
- 15 The Independent Group
- 10 Welsh Conservatives
- 7 The Non-Political Group
- 2 Non-Aligned

The Council's Chief Executive is Jeremy Patterson. The corporate directors are:

- Strategic Director People – Amanda Lewis
- Strategic Director Place – Paul Griffiths
- Strategic Director Resources – David Powell
- Director Change and Governance – Nick Philpott

## Other information

The Assembly Members for Powys are:

- Russell George, Montgomeryshire, Welsh Conservative
- Kirsty Williams, Brecon and Radnorshire, Welsh Liberal Democrat
- Rebecca Evans, Simon Thomas, Joyce Watson and William Powell, Regional Members

The Members of Parliament for Powys are:

- Roger Williams, Liberal Democrats
- Glyn Davies, Conservative

For more information see the Council's website at [www.powys.gov.uk](http://www.powys.gov.uk) or contact the Council at County Hall, Llandrindod Wells, Powys, LD1 5LG. Tel: 01597 827460.

## Appendix 3

### Annual Audit Letter

Councillor David Jones  
Leader  
Powys County Council  
Council Hall  
Llandrindod Wells  
Powys  
LD1 5JG

Dear Councillor Jones

#### Annual Audit Letter 2012-13

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 30 September 2013 the Appointed Auditor issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 26 September 2013, and a more detailed report will follow in due course. However, we did encounter significant problems during the audit of the financial statements, the main issues being:

- a lack of robust quality assurance procedures to sense check the financial statements and supporting working papers;
- some instances where the basis of valuations of fixed assets did not follow the Code of Practice on Local Authority Accounting, and a lack of supporting evidence for the basis of valuations;
- inaccurate and incomplete system reports provided to support our testing of the figures within the financial statements, and some figures not initially supported by working papers or evidence; and
- no reference to governance arrangements relating to the Powys Pension Fund within the Annual Governance Statement.

The bullet points above were reported and discussed in depth at the September Audit Committee. The difficulties encountered unfortunately meant that we were still agreeing amendments to the financial statements and checking supporting documentation on the morning they were being signed by the Authority. Consequently, members of the Audit Committee felt they did not have the time they would have liked to consider the revised financial statements, and were not able to see our external audit report and opinion prior to the meeting. The recently appointed Strategic Director – Resources (S151 Officer) is undertaking a review of the situation, with which we will co-operate, to ascertain what needs to be done to avoid a repeat of these issues with future years' accounts.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

One of the key challenges for Powys County Council, in line with many other Welsh Local Authorities, will be balancing the budget in the short and medium term. The Council has estimated that for 2014-2015 approximately £20 million of savings are required to break even. This total is made up of £8.3 million savings included in the Medium Term Financial Plan (MTFP) agreed by Council in March 2013, and a further £11.7 million savings target for which plans are yet to be fully developed.

Whilst I gave an unqualified opinion on the financial statements, the audit cannot be formally concluded and an audit certificate issued until enquiries arising from matters raised by a number of 'whistleblowers' have been formally completed.

As reported above we encountered significant difficulties during the audit of the financial statements, which required additional audit staff time. Consequently, the financial audit fee for 2012-13 is expected to exceed the figure initially planned within our Annual Audit Outline. The additional fee is likely to be approximately £23,500.



John Herniman

For and on behalf of the Appointed Auditor  
29 November 2013

cc Jeremy Patterson, Chief Executive  
David Powell, Strategic Director – Resources



## Appendix 4

### Powys County Council's improvement objectives and self-assessment

#### The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2013-14 in its *Powys Change Plan 2013/16* which can be found on the Council's website at [www.powys.gov.uk](http://www.powys.gov.uk). They are:

2012-13 key areas for improvement	2013-14 key areas for improvement
<p><b>Care and Wellbeing</b> – We will work with our partners to ensure that residents can access good health and care services and receive help and support to stay in their own homes for as long as they want to. We will also ensure people have access to good quality affordable housing.</p>	<p><b>Care and Wellbeing</b></p> <p><b>Adult Social Care</b> – Safe secure caring services are vital if we are to promote independent living within our communities for the most vulnerable of our residents. We want residents who are confident of support when they need it and free from neglect and worry.</p> <p><b>Children and Family Services</b> – Safe secure services are essential for the well-being of children, families and our communities. Working with our partners our aim is to ensure that residents have access to professional services that will improve the quality of their life.</p> <p><b>Housing Transformation</b> – To safeguard viable communities into the future Powys residents need access to sufficient, decent quality housing at a cost low enough for them to afford to buy or alternatively to rent from either the county council, social or private landlords.</p>
<p><b>Learning and Community</b> – We will review schools and post 16 learning provision to meet the challenge of falling pupil numbers. We will bring school buildings to a fit for purpose standard ensuring they are capable of delivering high quality educational experiences for all pupils. New facilities will incorporate a range of community focussed services.</p>	<p><b>Learning and Community</b> – Residents of all ages need access to the highest quality education and training opportunities in appropriate settings to unlock their full potential and strengthen the county's communities.</p> <p>Healthy and active lifestyles combined with a rich diverse culture are an integral part of the county's fabric. We want more people to be more active more of the time and to enjoy the richness of our county's heritage.</p>

2012-13 key areas for improvement	2013-14 key areas for improvement
<p><b>Regeneration</b> – We will improve the economic wellbeing of Powys residents by establishing a robust and sustainable economy that is based upon vibrant and inclusive communities where businesses can invest and grow and where people want to live, work and visit.</p>	<p><b>Regeneration</b> – Regeneration should be at the heart of everything we do. It is about nurturing and promoting the county's unique attributes and addressing its weaknesses with the aim of creating a more resilient and prosperous Powys with sustainable employment for the future.</p>
<p><b>Climate Change</b> – As a community leader we will respond to climate change by reducing our carbon footprint, change how we collect and treat refuse and how we manage our buildings and vehicles. We will help others, not only in reducing their carbon footprint, but making all services in Powys more resilient.</p>	<p><b>Climate Change</b> – Climate Change affects residents and business across the whole county. By working together we will reduce our carbon footprint and increase the amount of material that is reused or recycled and help limit the global impact.</p>
<p><b>Council</b> – We will work as one council, constantly challenging what we deliver and how it is delivered to improve quality and reduce cost. We will do this by transforming the ways in which our workforce operates, is paid and developed; improving how we communicate with both the community and our workforce; seeking collaboration opportunities with other public bodies; utilising modern technology to improve productivity and improving the ways in which we procure goods and services.</p>	<p><b>Council</b> – Working with our partners we will strive to deliver efficient and effective services for residents and businesses. By creating a streamlined professional council we will meet the challenge of delivering quality flexible services for the coming years.</p>

### The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found in its *Annual Performance Report (April 2012-2013)* which can be found on the Council's website at [www.powys.gov.uk](http://www.powys.gov.uk).



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