

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON TUESDAY, 20 FEBRUARY 2018**

**PRESENT**

County Councillor JG Morris (Chair), J Charlton, L George, H Hulme, K Laurie-Parry, WD Powell, R G Thomas, A Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: David Powell, Acting Chief Executive, Jane Thomas, Head of Financial Services and Stephen Caple, Deputy Head of Financial Services

Other Officers In Attendance: Mr Colin Davies, WAO

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors M Barnes, B Baynham, M J Jones, T J Van-Rees and S L Williams

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>
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There were no disclosures of party whips.

<b>4.</b>	<b>WAO ANNUAL AUDIT LETTER 2016/17</b>
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**Documents:**

- Report of the Leader, County Councillor R Harris
- WAO Annual Audit Letter – Powys County Council 2016-17
- Action Plan

**Discussion:**

- The WAO Annual Audit Letter includes a statutory recommendation to County Council which, under the Public Audit Wales Act, must be considered by council within one month
- This extra meeting of Audit Committee gives Members the opportunity to consider the Letter to enable comments to be made at County Council on Thursday 22 February 2018
- The Acting Chief Executive reported that the Council was already taking action to address the issues raised
- A balanced budget can be achieved for 2018/19 but there were significant challenges to balance the 2019/20 budget – Cabinet and Management Team were working to address this

- The Letter covers the period to the end of March 2017 before the new Council was elected.
- The Letter confirms that the 2016/17 Statement of Accounts were approved and that no significant issues had arisen through work to certify grants and claims
- However, the WAO state that *The Council did not have sufficient appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and the current and future financial position represents a significant challenge*
- The Authority was under considerable scrutiny at present including the CIW inspection of both Adult and Childrens Services
- Members were aware of the significant challenges facing the Council from 2019/20 and beyond and the necessity for fundamental change
- A balanced budget has been set for 2018/19
- The level of detail provided has continued to improve
- The MTFS will be updated by the end of May 2018
- Cabinet and Management Team are to have a series of meetings regarding the 2025 Vision and balancing the budget
- The Corporate Leadership and Governance Plan highlights the WAO comments and how those recommendations are to be achieved
- The Chair commented that the Leader's report should be amended to reflect that the WAO Letter did cover some issues relating to the current year
- It was noted that Impact Assessments (IAs) had been introduced but that the Committee's experience of some IAs was a cause for concern. Furthermore, the majority of them had been late in being available for consideration. It was questioned whether the residual risk was accurate and this should have been the subject of debate to give the Committee assurance that IAs were adequate (an example was given of savings within the Resources Directorate which the Committee believed led to a high residual risk. The Head of Financial Services was able to explain the rationale behind this but this had not been apparent at the time Members considered the IA.)
- IAs must be developed early in the process to inform the budget setting process
- Changes that will be required for 2019/20 must have an early IA to enable effective scrutiny
- The Chair also commented that a more holistic approach needed to be taken – including the relationship between scrutiny and Cabinet
- There remained concerns regarding the monthly budget monitoring report. It was hoped that this report could include remedial measures rather than just a statement of fact at a particular time with no indication of how overspends could be resolved. The Head of Financial Services drew committee's attention to the fact that compared with some other authorities Powys has more frequent budget monitoring reports
- There were no IAs for Children's Services
- Officers suggested that any savings proposal had an element of risk but that processes put in place including monthly monitoring reports, risk assessments and sensitivity analysis, all assisted in confirming the robustness of savings proposals

- A more detailed budget strategy for Children's Services was in the process of development
- The Committee asked whether IAs should be completed for those areas requesting additional funding to assess the corporate impact – there was no requirement to do so
- For the first time an independent assessment of the budget process had been undertaken. CIPFA had undertaken this process and had raised similar concerns to those raised by the WAO
- There remained concerns regarding the pace of change and the achievability of savings
- The Portfolio Holder was asked whether IAs completed in earlier years should have identified the current problems. The Portfolio Holder replied that the issues within Children's Services were not all related to budget but to poor management etc. The spend per child was above average in Wales. A recovery plan has been put together and agreed.
- Members were concerned that similar issues would arise in other service areas. The Portfolio Holder hoped that there would be no more surprises and emphasised the need that proposals be carefully prepared and monitored to ensure they could be delivered
- The Committee noted the wider, corporate improvement plan and the need to improve financial planning and a more effective and co-ordinated opposition, but questioned whether there was sufficient resource available to complete the work. There seemed to be a disproportionate amount of work falling on a few people.
- The Acting Chief Executive reiterated that the Authority was currently under a lot of scrutiny. A report has been prepared by the Welsh Government appointee (Sean Harris) a second phase is being commenced with Sean Harris. A growth item is included within the budget to support scrutiny.
- The need for a 5 year financial model is acknowledged and a new MTFS is to be prepared to support this
- In response to a question, the Acting Chief Executive reported that an opinion from the WAO regarding the backdating of the Minimum Revenue Position (MRP) was still awaited but this may be referenced in the next WAO Audit Letter. It was noted one other Welsh council had taken the same steps. There is a specific line in the balance sheet where these funds will be shown.
- There was a lack of information regarding the fundamental changes required although meetings between the Cabinet and Management Team on this specific issue had commenced. It was not just austerity that was affecting Powys but the lack of population increase which also affected the funding settlement.
- Members sought clarification as to how Councillors were to be engaged in the process and how their thoughts would be incorporated. There was a fear there would be too much talking and not enough action.
- The Acting Chief Executive reminded the Committee that a balanced budget for 2019/20 would have been achieved but for the Children's Service Inspection and an impending inspection for Adults Services. The Council has largely 'salami sliced' to achieve savings and this was no longer possible. Fundamental change was required and the Council would in all likelihood have to deliver services with less people and from fewer buildings. The Audit Committee must run in parallel to challenge

- proposals. The roles of Audit Committee and the Finance Scrutiny Panel will need to be assessed.
- Members commented on the several hundred pages of documents relating to the budget that had been sent out for Council which seemed quite daunting. It was hoped that the commitment to engage with all Members would come to fruition. It was noted that additional meetings would need to be arranged.
  - There needed to be improvements in the relationships between Cabinet, Scrutiny and Audit to ensure the process has every chance of success. An improvement programme was underway and Members were encouraged to engage fully with this programme.

**Outcome:**

- **The Chair was authorised to convey the Committee's thoughts to County Council on Thursday 22 February 2018.**

<b>5. ADULT SOCIAL CARE SCRUTINY GROUP</b>
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The Chairs and Vice Chairs Steering Group had agreed that the Audit Committee be represented at a meeting of the Adult Social Care Scrutiny Group when they considered Section 33 Pooled Budgets for Residential Care and Residential Care, Ownership and Administration. The first of these topics was to be considered on 12 March 2018 and the Committee was asked to nominate up to three representatives to participate in the joint meeting.

**Outcome:**

- **County Councillors J Charlton, K Laurie-Parry and W Powell be the Audit Committee representatives attending the Adult Social Care Scrutiny Group**

**County Councillor JG Morris (Chair)**