

# Pecyn Dogfennau Cyhoeddus

## Pwyllgor Archwilio

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Man Cyfarfod  
**Ystafell Bwyllgor A - Neuadd y Sir,  
Llandrindod, Powys**

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Dyddiad y Cyfarfod  
**Dydd Gwener, 15 Ebrill 2016**

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Amser y Cyfarfod  
**10.30 am**

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Neuadd Y Sir  
Llandrindod  
Powys  
LD1 5LG

I gael rhagor o wybodaeth cysylltwch â  
**Lisa Richards**  
01597 826371  
lisa.richards@powys.gov.uk

08/04/2016

### AGENDA

<b>1.</b>	<b>YMDDIHEURIADAU</b>	<b>A15-2016</b>
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Derbyn ymddiheuriadau am absenoldeb.

<b>2.</b>	<b>DATGANIADAU O DDIDDORDEB</b>	<b>A16-2016</b>
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Derbyn datganiadau o ddiddordeb gan Aelodau.

<b>3.</b>	<b>DATGANIAD CHWIP Y PLEIDIAU</b>	<b>A17-2016</b>
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Derbyn datganiadau ynglyn â gwaharddiad chwip plaid a gyflwynwyd i Aelod mewn perthynas â'r cyfarfod yn unol ag Adran 78 (3) Mesur Llywodraeth Leol 2001.

(D.S: atgoffir yr Aelodau, dan Adran 78, na all Aelodau sydd wedi derbyn gwaharddiad chwip plaid bleidleisio ar fater gerbron y Pwyllgor.

<b>4.</b>	<b>COFNODION</b>	<b>A18-2016</b>
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod diwethaf a gynhaliwyd ar 4 Chwefror 2016.

(Tudalennau 5 - 14)

<b>5.</b>	<b>SWYDDFA ARCHWILIO CYMRU</b>	<b>A19-2016</b>
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**5.1. Datganiad Cyfrifon Cyngor Sir Powys 2014-15**

Derbyn y farn ddiwygiedig a'r dystysgrif yn cau archwiliad y llynedd.  
(Tudalennau 15 - 18)

**5.2. Aseiad o Gadernid ariannol**

Ystyried adroddiad Swyddfa Archwilio Cymru ac ymateb yr Awdurdod.  
(Tudalennau 19 - 60)

**5.3. Cynllun Archwilio'r Gronfa Bensiwn**

Ystyried Cynllun Archwilio Swyddfa Archwilio Cymru 2016 ar gyfer y Gronfa Bensiwn.  
(Tudalennau 61 - 70)

**5.4. Cynllun Archwilio**

Ystyried Cynllun Archwilio 2016 Swyddfa Archwilio Cymru ar gyfer Cyngor Sir Powys.  
(Tudalennau 71 - 88)

**5.5. Gosod y cytundeb gofal yn y cartref**

Ystyried adroddiad y Cabinet a'r Cynllun Gweithredu a datblygwyd yn dilyn yr adolygiad i osod y cytundeb gofal yn y cartref.  
(Tudalennau 89 - 124)

<b>6.</b>	<b>ASESIAD CORFFORAETHOL</b>	<b>A20-2016</b>
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Derbyn llythyr gan Archwilydd Cyffredinol Cymru yn ymwneud a'r rhaglen astudiaethau Llywodraeth Leol a'r rhaglen archwilio 2016-17.  
(Tudalennau 125 - 128)

<b>7.</b>	<b>RHEOLI RISG</b>	<b>A21-2016</b>
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Ystyried adroddiad y Swyddog Rheoli Risg a Pharhad Busnes.  
(Tudalennau 129 - 144)

<b>8.</b>	<b>CRAFFU CRONFEYDD WRTH GEFN</b>	<b>A22-2016</b>
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Ystyried adroddiad yr Arweinydd Proffesiynol ar gyfer Cyllid.  
(Tudalennau 145 - 168)

<b>9.</b>	<b>CAU'R CYFRIFON</b>	<b>A23-2016</b>
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Ystyried adroddiad yr Arweinydd Proffesiynol, Cyllid.  
(Tudalennau 169 - 194)

<b>10.</b>	<b>RHEOLI'R TRYSORLYS</b>	<b>A24-2016</b>
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Ystyried adroddiad yr Aelod Portffolio ar gyfer Cyllid.  
(Tudalennau 195 - 214)

<b>11.</b>	<b>GWEITHGORAU</b>	<b>A25-2016</b>
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Ystyried adroddiad crynodeb craffu'r Gweithgor Archwilio Mewnol.  
(Tudalennau 215 - 216)

<b>12.</b>	<b>RHAGLEN WAITH</b>	<b>A26-2016</b>
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Ystyried y rhaglen waith ar gyfer y dyfodol ac os oes unrhyw eitemau ychwanegol y dylid eu cynnwys.  
(Tudalennau 217 - 220)

<b>13.</b>	<b>GRWP LLYWIO'R CYD-GADEIRYDDION</b>	<b>A27-2016</b>
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Derbyn nodiadau Grwp Llywio'r Cyd-Gadeiryddion a gynhaliwyd ar 18 Mawrth 2016.  
(Tudalennau 221 - 228)

<b>14.</b>	<b>GOHEBIAETH</b>	<b>A28-2016</b>
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Ystyried unrhyw ohebiaeth sydd ym marn y Cadeirydd yn ddigon o frys i haeddu ystyriaeth.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL  
CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 4  
FEBRUARY 2016**

**PRESENT**

County Councillors JG Morris (Chair), D E Davies, E R Davies, L R E Davies, S C Davies, L Fitzpatrick, G Hopkins, M J Jones, P J Medicott, WD Powell, D R Price, G W Ratcliffe, D A Thomas, D G Thomas, T J Van-Rees and J Brautigam (Independent Member)

**WAO:** Messrs Iolo Llewelyn, David Rees and Anthony Veale

**In Attendance:** County Councillors W T Jones, Portfolio Holder for Finance and S M Hayes, Portfolio Holder for Adult Social Care, Amanda Lewis, Strategic Director, People and Joy Garfitt, Head of Adult Social Care

**Officers:** David Powell, Strategic Director Resources, Jane Thomas, Professional Lead, Finance, Ann Owen, Treasury Manager and Caroline Evans, Business Continuity and Risk Management Officer

<b>1.</b>	<b>APOLOGIES</b>	<b>A1-2016</b>
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Apologies for absence were received from County Councillors F Jump, R H Mills and R G Thomas.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A2-2016</b>
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There were no declarations of interest.

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>	<b>A3-2016</b>
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There were no declarations of party whips.

<b>4.</b>	<b>MINUTES</b>	<b>A4-2016</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 9 November 2015, as a correct record.

<b>5.</b>	<b>CLOSURE OF ACCOUNTS</b>	<b>A5-2016</b>
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The Committee received a presentation on the Closure of Accounts Project by the Professional Lead, Finance.

**Issues:**

- A Working Group of officers had been set up to address concerns arising from the closure of accounts in previous years

- There is regular reporting to the S151 Officer and Resources Management Team
- Timescales have been shortened and this will support shorter, statutory deadlines which are expected to be introduced in the future
- A new WAO Team Leader has been appointed and initial meetings have already taken place regarding the closure of the 2015/16 accounts. Issues discussed have been around consistency, provision of more working papers electronically and the use of estimates
- Workshops with key officers from the WAO and Council have been held
- Further workshops with service areas have also been held to ensure that all officers have a better understanding of the needs of closing the accounts. Budget management responsibilities have also been reinforced

**Discussion:**

- It was noted that the presentation indicated that expertise may need to be purchased and the Committee sought further information on the nature of the expertise required, where this may be sourced and the cost. The Professional Lead, Finance informed Members that additional support may be required to undertake development work as the Council transforms. This expertise may not be required in the longer term but, assistance may be required in, for example, the development of a Joint Venture Company for Property.
- Further clarification was sought regarding using estimates – there may be instances where raw data would be used, for example wages claims for March were not submitted until mid-April. It would take time for those claims to be fully processed.
- The incoming WAO Engagement Lead informed the Committee that he welcomed the planning that was in place and that it was being shared with the Committee. He believed the use of estimates would become more prevalent as timescales shorten. He also welcomed the recognition that the closure of accounts was not just a function for finance. He was reassured that the planning included the closure of the pension fund accounts

**Outcomes:**

- **The Committee will continue to receive regular progress reports on the Closure of Accounts Project**

6.	WAO	A6-2016
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**6.1. Review into the Letting of the Domiciliary Care contract**

**Documents:**

- Report of the Strategic Director, Resources
- WAO Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited

**Issues:**

- Three reports regarding domiciliary care had been issued – one by the IPC which had been commissioned by the Authority, CSSIW and the WAO report which focuses on the letting of the contract.

- It was intended that one action plan addressing all three reports be produced
- The issues raised were relevant across the Authority and not limited to Adult Social Care

**County Councillor L Fitzpatrick left the meeting at 10.15am**

**County Councillors G Ratcliffe and W D Powell arrived at 10.15 am**

- Three recommendations had been made by the WAO – the Strategic Director, People was to lead on Recommendation 1 and the Strategic Director, Resources would lead on Recommendations 2 and 3.
- It was intended that the Action Plan would be monitored by Audit Committee on a regular basis
- Dates in paragraphs 37, 40 and 47 were corrected and a revised report would be issued.

**Discussion:**

- Assurance was sought from officers that the Authority had sufficient expertise to draw up documents, ensure data was correct and that projects of this type could be carried forward. The Strategic Director, Resources commented that the issue was applicable across the Authority and that a key message from the Review was that transformational change would have to be properly resourced. At the time the contract under discussion was let, the Authority had one Procurement Manager. A Commercial Services team has since been established from existing officers who are being trained to meet the Authority's requirements. However, the Team can only advise and support service areas. The Strategic Director, People noted that the role of Commercial Services to any future work would be critical. The Adult Commissioning Team had also been strengthened. Further work has been undertaken to strengthen data analysis and it was acknowledged that whilst progress had been made, further improvements would be sought.
- It had been hoped that the Portfolio Holder for Commissioning would have been able to attend, but Members queried whether lessons had been learnt from the exercise. There were further queries regarding accountability and whether there had been any conflict of interest with an officer involved in the process. The WAO were aware of the issue but had not discovered any evidence of impropriety.
- Members noted that issues had been highlighted by a Project Group which were not reported through to Cabinet. The flow of information must be highlighted at every stage and a request was made that this issue be incorporated within the Action Plan.
- Members also requested that the Action Plan be SMART and that mistakes should be admitted where they occurred
- The Portfolio Holder for Adult Social Care was asked if he had sufficient resources to deliver the service and whether he could give any assurance that there would be no reoccurrence of such issues. The Portfolio Holder replied that he was required to deliver a range of services which all carried an inherently high risk as they were supporting vulnerable clients. The requirements to deliver a safe service, deliver savings and deliver transformation were onerous but the WAO review would assist in helping to reduce risks.

- The WAO were asked if, during the course of their review, they were aware that any officer was reluctant or intimidated to bring information forward. The WAO confirmed that no officer raised any concern. It had been noted that the project had needed to be delivered quickly and flows of communication were not always evident. Furthermore, consideration by Members outside of Cabinet was lacking and there had been insufficient scrutiny by Audit and Scrutiny committees leading to a lack of an independent review of the issues.
- The Chair noted that there was an ongoing Adult Social Care scrutiny group and suggested that there be further dialogue between the Group and Audit Committee regarding further support and co-ordination between the two.
- Members asked what training and development would be put in place as a result of the review and were informed that this would feature in the Action Plan
- A comment was made that the Audit Committee had not taken sufficient notice when concerns were raised by a member of the Committee. The Chair noted the learning that needed to happen and asked that the Committee work more as a team and that a discussion would be taking place with the Strategic Director, Resources, regarding the future role of the Committee and its working groups to ensure a more focussed and proactive approach could be taken forward.

**Outcomes:**

- **The Action Plan would be circulated to all Members of Audit Committee once drafted. It is expected that it would be considered by Cabinet on 23 February.**
- **The Action Plan would be SMART to facilitate constructive monitoring**
- **Further discussions to take place on the role of the Committee and its working groups**
- **Further discussions with the Adult Social Care Working Group to ensure greater co-ordination**

**6.2. Management Letter - 2014-15**

**Documents:**

- Management Letter for 2014/15

**Issues:**

- Links with the closure of accounts presentation
- There had been a marked improvement on previous years
- Emphasises the evolving process
- Three main issues for consideration – asset accounting, accounting for internal recharges and bank reconciliations

**Discussion:**

- The WAO were asked by Committee how an unqualified opinion could be given while the audit certificate had not been issued. An opinion had been given that the accounts had been presented fairly. There was an



outstanding objection and a final certificate would not be issued until the accounts were closed.

- The Committee queried whether best practice was in place and if appropriate training was given to staff. The Professional Lead, Finance confirmed that training was given although, in some instances, this was merely reinforcing issues to ensure consistency. The Project Group would pick up all recommendations made
- The Chair invited the WAO to comment on performance compared to other Welsh authorities. Similar issues have been raised in other authorities although it was surprising to see an issue relating to bank reconciliations. As the new Engagement Lead settles into post, he would hope to be able to give a wider perspective across the four councils for which he was responsible and would encourage authorities to learn from each other's best practice.
- The Chair noted the capacity for improvement.

<b>7.</b>	<b>CORPORATE ASSESSMENT</b>	<b>A7-2016</b>
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The Committee received a presentation on the expectations of the Corporate Assessment.

**Issues:**

- Corporate Assessments were no longer required in England but were still required in Wales under the 2009 Measure
- The Assessment will consider the Authority's performance and capacity to improve
- A number of factors will be considered including regulators' reports, the closing of accounts etc. to assess whether the Authority has delivered its priorities and improved outcomes for its citizens
- Governance and accountability will be key
- Members will be interviewed to ensure there is clarity surrounding their role
- Audit Committee will be assessed to ensure that it links to key risk areas and acts on recommendations made
- External challenge is also required and KPMG have been engaged to assist with this process
- A Member Seminar will be arranged in due course

**Discussion**

- Members requested that they be fully briefed particularly members of the Audit Committee
- The Chair was of the opinion that the work programme must be adequate going forward and more challenging
- The Audit Committee should undertake a self-assessment in preparation for the Corporate Assessment
- The Portfolio Holder for Finance advised the Committee that he would be assuming responsibility for performance from 9 February

**Outcome:**

- **A Member Seminar be arranged to brief all members**

- **The Corporate Assessment be an agenda item for every Audit Committee during 2016**

<b>8.</b>	<b>RISK MANAGEMENT</b>	<b>A8-2016</b>
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**Documents:**

- Update report on risk management
- Heat Map
- Risk Register
- Risk Assessment Matrix

**Issues:**

- Individual corporate risks have been assigned to a specific member of the Management Team to ensure stronger accountability and that the risks are current and appropriate mitigation is in place.
- The Risk Management Policy, Strategy and Methodology was approved by Cabinet in January 2016
- The last meeting of Audit Committee had expressed concern at the number of high risks and had asked that benchmarking data be investigated. It was noted that other authorities have a similar spread of corporate risks but that one authority does not publish its register and two further authorities do not have risk registers in place

**Discussion:**

- Members asked for clarification of the arrows displayed on the heat map. This indicates the expected direction of travel once mitigating measures have been implemented. There were four measures which would remain static.
- Business continuity has been included in the self-assessment process within Service Improvement Plans as a move towards Business Continuity Management becoming 'business as usual' in service areas – Members sought confirmation that this had been communicated to the service areas
- Some risks on the register did not have a date when identified and Members thought that this was essential as an indicator of how successful mitigation had been. Some risks had been identified prior to the current post holder's appointment. The Risk Management Officer agreed to include 'prior to 2014' for those risks.
- It was noted that some risks were identified as being in breach of legislation and this was unacceptable to Members. However it was stressed that there was a low probability of occurrence but the impact would inevitably be high – this, according to the matrix, results in a risk being classified as medium.

County Councillor T J Van Rees declared a personal and prejudicial interest and left the meeting whilst reference was made to the County Farms Estate

- Members queried whether other risks, such as the potential of withdrawing from the EU, should be included on the register?
- Members noted that the Single Integrated Impact Assessments (SIAs) were an improvement on previous approaches and useful but were unwieldy and not user friendly and asked whether the process was

sufficiently robust to ensure that risks were included in service registers and elevated, where appropriate, to the corporate register. The Risk Management Officer meets services regularly to discuss service risk registers and whether all items identified in SIAs are included and if any items should be escalated to a corporate level. Further assurance is provided by discussion at Directorate Management Team and the Chief Executive's Management Team.

**Outcome:**

- **Progress in identifying and classifying risks be welcomed**

<b>9.</b>	<b>TREASURY MANAGEMENT</b>	<b>A9-2016</b>
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**Documents:**

- Q3 report of the Portfolio Holder for Finance
- Credit Rating List (confidential appendix)

**Issues:**

- Constantly changing market
- Treasury Management Strategy reviewed annually
- Concern that the Chancellor's targets might slip and the corresponding effect this may have on the Council's revenue position

**Discussion:**

- The Portfolio Holder confirmed that there is £205K identified for invest to save from the revenue budget. Any increase would come from revenue but there were much closer ties between revenue and capital budgets going forward. Some projects were being considered for capital funding to achieve service ambitions, such as investment to change street lighting to LED which could potentially deliver the required savings without any streetlights having to be permanently turned off. Another project which may be considered would be investment in baling equipment for recyclates.
- The Portfolio Holder was asked to clarify the position regarding the £5M 'other' included in the debt maturity schedule. The Committee was informed that this was a loan with another local authority.

<b>10.</b>	<b>DELEGATED AUTHORITY TO THE CHAIR OF AUDIT COMMITTEE</b>	<b>A10-2016</b>
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**Document:**

- Report of the Strategic Director, Resources (S151 Officer)

**Issues:**

- Outstanding issues relating to the 2014/15 accounts have resulted in the certificate of completion not being issued by the WAO
- Although the accounts have been closed and approved by the Audit Committee, it is necessary to reapprove the accounts given the time that has elapsed
- Proposal to authorise the Chair to reapprove the accounts

- If there were to be any changes to the accounts, and this is unlikely, a full meeting of the Audit Committee would be called

**Outcome:**

- **That the Chair be given delegated authority to reapprove the 2014/15 accounts to enable the efficient delivery of the certificate of completion by the WAO**

<b>11.</b>	<b>SCRUTINY OF LOCAL AUTHORITY HOLDING AND UTILISING OF RESERVES</b>	<b>A11-2016</b>
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**Document:**

- Welsh Government Guidance for Local Elected Members – Scrutiny of Local Authority Holding and Utilising of Reserves

**Issues:**

- This was brought forward to raise awareness of Audit Committees
- Reserves are currently an issue of interest to the Minister
- A risk assessment around reserves will be part of the budget process for the first time

**Outcomes:**

- **Further development regarding the use of reserves will be provided to the Committee**

<b>12.</b>	<b>WORKING GROUPS</b>	<b>A12-2016</b>
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**12.1. Finance Scrutiny Panel**

**Document:**

- Scrutiny Summary report

**Issues:**

- The Finance Scrutiny Panel and been involved throughout the autumn in scrutinizing the budget setting process. This culminated in a presentation to the Members' Budget Seminar in December.
- The future role of the Finance Scrutiny Panel, and other Audit Committee working groups, will be discussed with the Strategic Director and Portfolio Holder for Finance to consider whether improvements can be introduced

<b>13.</b>	<b>WORK PROGRAMME</b>	<b>A13-2016</b>
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**Document:**

- Work Programme

**Outcome:**

- **That the work programme be approved subject to the inclusion of items raised during the meeting:**
  - **Reserves**
  - **Domiciliary Care Action Plan**

○ **Self-Assessment of Audit Committee**

<b>14.</b>	<b>JOINT CHAIRS STEERING GROUP</b>	<b>A14-2016</b>
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**Documents:**

- Notes of meetings held on 20 November 2015 and 22 January 2016:

**Outcome:**

- **That the notes be received**

**County Councillor JG Morris (Chair)**

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David Powell  
Strategic Director - Resources  
Powys County Council  
County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

Reference	AJB113/mh
Date	2 March 2016
Pages	1 of 4

Dear David

## **Powys County Council Statement of Accounts 2014-15**

This is my final report on the audit of the 2014-15 accounts.

I issued an unqualified opinion on your 2014-15 accounts on 30 September but could not issue a certificate concluding the audit as there was a matter outstanding relating to our review on Domiciliary Care. I have concluded my work on this matter and have reported the results to the Audit Committee in public session.

As a result there have been no changes to the accounts which were approved by the Audit Committee on 28 September 2015. In accordance with Regulation 10 (5) of the Accounts and Audit Regulations (Wales) 2014 this final report needs to be considered by Council or Audit Committee prior to re-approval of the accounts. Following receipt of re-signed accounts I will be able to conclude the audit for 2014-15.

My revised opinion and certificate is attached to this letter.

Yours sincerely



Anthony Barrett  
Engagement Lead

On behalf of the Auditor General for Wales

**Auditor General for Wales' report to the Members of Powys County Council**

As stated in my report dated 30 September 2015, I have audited the accounting statements and related notes of:

- Powys County Council; and
- Powys Pension Fund;

for the year ended 31 March 2015 under Public Audit (Wales) Act 2004.

Powys County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Powys Pension Fund accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs)

**Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 22, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Powys Pension Fund accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Powys County Council's, and Powys Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of



significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Powys County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom in 2014-15.

### **Opinion on the accounting statements of Powys Pension Fund**

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Powys Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or

- I have not received all the information and explanations I require for my audit; and
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

My report dated 30 September 2015 contained an audit opinion on the 2014/15 accounts and explained that the audit could not be formally concluded until my review of Domiciliary Care had been completed. That review has now been completed, a report issued and considered by your Audit Committee on 4 February 2016. I certify that I have completed the audit of Powys County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road,  
Cardiff, CF11 9LJ**

**Date:**



## Financial Resilience Assessment **Powys County Council**

**Audit year:** 2015-16

**Issued:** March 2016

**Document reference:** 196A2016

# Status of report

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Colin Davies, Mike Jones, Nadeem Ashraf, Justine Morgan, Gareth W. Lewis and Alison Lewis.

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The Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.

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## Detailed report

<b>Financial planning</b>	6
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The Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning

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<b>Financial control</b>	8
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Whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective

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<b>Financial governance</b>	11
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The Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance

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## Appendices

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Key characteristics of good financial management	14
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# Summary report

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## Summary

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
  - helps authorities take the right decisions for the short, medium and long term;
  - helps authorities deliver services to meet statutory obligations and the needs of local communities;
  - is essential for good corporate governance;
  - is about managing performance and achieving strategic objectives as much as it is about managing money;
  - underpins service quality and improvement;
  - is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - is a key management discipline.
2. Long-term financial management is not about predicting the future; it is about preparing for it. Authorities need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.
3. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
4. Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.
5. Our April 2015 report **The financial resilience of councils in Wales** was based on fieldwork carried out in all Welsh local authorities. From this work, and from other available material related to aspects of financial management, we have drawn together some key characteristics of good practice to assist practitioners in developing their arrangements. These characteristics can be found in [Appendix 1](#).
6. Given the continuing pressures on funding, we have considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. We have considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching our view on the Council's financial resilience.
7. We undertook our assessment during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

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8. The work focused on answering the following question: **Is Powys County Council (the Council) managing budget reductions effectively to ensure financial resilience?** In this report we also consider whether:
- **financial planning arrangements effectively support financial resilience;**
  - **financial control effectively supports financial resilience; and**
  - **financial governance effectively supports financial resilience.**
9. This report gives a risk rating for each aspect: financial planning, financial control and financial governance. The descriptors for risk ratings are set out below.

<b>Low risk</b>	Arrangements are adequate (or better) with few shortcomings in systems, processes or information. Impact on the council's ability to deliver its financial plan may be minimal.
<b>Medium risk</b>	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.
<b>High risk</b>	There are significant shortcomings in systems, processes or information and/or there is a real risk of the council's financial plan not delivering the desired outcomes.

10. Overall we concluded that **the Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.** We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements. We rate the risk to the Council's delivery of its financial plan for each of these elements as follows.

<b>Medium risk</b>	Financial planning
<b>Medium risk</b>	Financial control
<b>Medium risk</b>	Financial governance

# Detailed report

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The Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal

## Financial planning

The Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning

11. The Council continues to develop its strategic financial planning arrangements, taking an appropriate longer-term approach to forecasting changes to its budget. This is achieved by means of its Financial Resource Model (FRM) which is updated and 'rolled forward' each year. The Council's FRM 2015 identified the budget shortfall for 2015-16 and for the next four financial years to 31 March 2020 (See [Exhibit 1](#)). By taking this approach the Council is better able to plan to meet the budget challenges that it faces. For example, service transformations that may take longer than one year to deliver are better reflected over this planning horizon.

Exhibit 1: Powys County Council Five Year Cost Reduction/Efficiency Requirements

Year	Cost Reduction/Efficiency Required (£ million)
2015-16	11.634
2016-17	10.073
2017-18	8.428
2018-19	8.463
2019-20	8.538
<b>Total</b>	<b>47.136</b>

Source: Powys County Council – Financial Resource Model February 2015

12. The Council followed the improved template it used last year to produce a line-by-line savings plan for 2015-16 that identifies savings to the value of £12.8 million. The plan lists each saving proposal by directorate and service area and highlights the target value to be achieved.



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13. In addition to the FRM, a comprehensive Medium Term Financial Strategy (MTFS) has been developed as part of the overall strategic planning process within the Council, and this commits the Cabinet to providing a balanced three-year financial plan.
  14. For 2015-16 the Council developed its budget within the framework established by the Statement of Intent. The Statement of Intent aims to bring together in one place information on financial, regulatory and policy drivers affecting the Council and helps the Cabinet form its approach to setting the budget and improvement objectives. The Council also considered a range of issues including community needs and residents' views, financial and inflationary pressures, performance and regulatory reviews from Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW). The MTFS was presented alongside the budget for 2015-16 and the Capital Programme 2015-20.
  15. Last year we highlighted that the Council needed to be clear about how it would resource its identified corporate priorities (set out in the Statement of Intent and One Powys Plan). Also that it should be clear how it would ensure its corporate and strategic financial plans were sufficiently aligned. The Council acknowledged that its financial planning should begin earlier and the initial work for the 2015-16 budget began in May 2014. Budget planning followed an approach which aimed to provide greater clarity on the budget process and timing for Members than previously.
  16. To inform decision-making on the Council's budget for 2016-17, the Finance Team has provided members with details of the specific savings proposals to achieve the cost reductions required, for 2016-17 and for the subsequent two financial years. This forward identification of savings proposals over a three-year period is a positive development, building greater awareness of future service changes and allowing a longer timeframe for planning.
  17. Each of the savings proposals has been subject to a Single Integrated Impact Assessment (SIIA) to help the Council understand their potential impact and identify and mitigate risks associated with their achievement. The Assessment considers the Council's strategic vision and priorities, Wales' Wellbeing goals, sustainable development principles, equalities, the Welsh language, and risk management. The SIIAs are prepared by Heads of Service, approved by Strategic Directors/Portfolio Holders and signed off by Cabinet.
  18. To deliver its vision the Council has created a new operating model which will seek to commission future services based upon the following priorities:
    - remodelling Council services to respond to reduced funding;
    - supporting people within the community to live fulfilled lives;
    - developing the economy, and
    - improving learner outcomes for all, minimising disadvantage.
  19. It is the Cabinet's intent that these priorities will help deliver the necessary changes and that, to maintain services, the Council will support communities and citizens to do more for themselves and encourage its staff to work in new ways and to take on new responsibilities.

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20. For the future, the Council's vision 'Stronger Communities for the Green Heart of Wales' envisages the Council operating at much lower cost, securing cost effective services which are focused on core outcomes for residents, businesses and communities and delivered by the most effective provider.
  21. The Council recognises it cannot reduce costs on the scale needed through an annual budget process that sets target savings for services. It is developing a continuous process, to incorporate a clear cost improvement strategy. The Council accepts that this will require it to gain a better understanding of each service's cost base and to develop a model of key cost cutting themes for consistent and coherent action.
  22. Work in developing the strategy has begun under the Council's Organisational Development Programme (ODP) – Cost Improvement. The objective of the cost improvement strategy is:
    - to set out the financial gap between demand and funding;
    - identify additional cross-council approaches that help services improve cost;
    - collate an overall cost improvement programme and help stakeholders to prioritise and commit;
    - provide rigorous processes for benefit management and for understanding and managing cost; and
    - challenge to ensure robust and reliable benefit delivery and to track that delivery.
  23. Our review of the arrangements in place and their implementation for the 2015-16 Budget identified that the Council's strategic financial plans and corporate change and improvement plans are developed in parallel and that each informs the other. The Council's future intent and work in progress described above should lead to fuller integration and alignment of its strategic planning arrangements, and enhance the Council's ability to progress towards achieving its stated vision and priorities.
  24. The Council recently combined the Portfolios of Finance and Performance to help facilitate integration and alignment of strategic planning. To further strengthen financial scrutiny, the Council intends to build into its forward work programmes scrutiny of the links between the proposed budget, the MTFS, the Statement of Intent and the One Powys Plan. This initiative is designed to help ensure that the financial resources are in place to deliver the Council's aims.

## Financial control

**Whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective**

25. In July 2014 the Finance Team moved to a business partnering model in response to staff reductions and the need to make processes more efficient. Following a visit to the BBC Finance Centre of Excellence in Cardiff the Finance Team plans to use their model of business partnering and develop lean systems reviews. The team has

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already reduced the time between monthly closure and budget reporting to 13 days by completing a lean systems review. Finance Business Partners support budget holders, Heads of Service and Strategic Directors on all financial matters offering advice, guidance and challenge. All budget holders have specific budgets to manage and control. Each cost centre has a single named manager, determined by the relevant Strategic Director, Director or Head of Service.

- 26.** There are, however, capacity issues within the Finance Department. Major restructuring has taken place in the last few years and the Finance Department has seen an approximate 20 per cent reduction in its staff numbers, which has affected the capacity of the team. Some vacancies remain but the Council has experienced difficulties in recruiting to all but the junior accountant positions.
- 27.** The Council has a clear framework for managing its financial affairs. The Financial Procedure Rules (FPRs) provide detailed guidance on various aspects of the process including delegation for financial controls. In addition, there are various instructions/manuals that support this framework and provide the detailed processes and actions required.
- 28.** The Council's budget monitoring arrangements are regular and comprehensive. Budgets are monitored at least once a month as part of the month-end procedures and budget holders have access to financial information at any point via the Finance Business Partners. Budget managers regularly report any significant variances from approved budgets to their line managers.
- 29.** The financial position is reported monthly across the Council at all levels. Cabinet and the Financial and Performance Working Group (of the Audit Committee) now receive a more comprehensive monthly report (Financial Overview and Forecast Report prepared by the Portfolio Holder for Finance). The report updates the forecast outturn position for each service area (both for revenue and capital budgets); records the level of achievement of targeted savings/efficiencies by service; highlights the budgeted and forecasted outturn, and notes the potential impact on the reserves position.
- 30.** Financial and performance data are not reported together in this new report format. The Council has recognised this as a weakness and is looking to establish a Business Intelligence Unit with the aim of better linking finance and performance data. This approach is currently being trialled with Children's Services information. In the meantime, the Financial and Performance Working Group receives and reviews quarterly service performance information alongside the Financial Overview and Forecast. However, in reporting its progress to the Audit Committee in November 2015, the Working Group were concerned that the performance data provided was inadequate and access to information was still too slow. The Group also reported that, whilst scrutiny had participated in challenging the emerging Service Improvement Plans, it still considered that targets were insufficiently clear or relevant. The Group asked that the Joint Chairs Steering Group give further consideration to the scrutiny of performance.
- 31.** Over previous years, the Council has had a variable track record of delivering its overall budget. Its budget was underspent in both 2011-12 and 2012-13. The budget

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- for 2013-14 was overspent by £0.8 million, which the Council met by utilising its reserves.
- 32.** For 2014-15, the revenue budget for the Council was approved at £242.4 million and the reported spend was £249.7 million. The difference of £7.3 million was funded from specific and ring-fenced reserves. This approved use of reserves, either planned in budget-setting or made by virement during the year, includes voluntary severance. After including approved reserve transfers, the service performance against budget reported a year-end underspend of £2.0 million (excluding Schools Delegated budgets and the Housing Revenue Account). This underspend figure includes £1.7 million of capitalisation of revenue funding at the year-end. The Council took the opportunity to capitalise revenue expenditure held within Highways, Transport and Waste in order to reduce the impact on revenue as a one-off saving. Prior to capitalisation the underspend was £282,000 after excluding Schools Delegated budgets and the Housing Revenue Account. The Council used the opportunity presented by its improved revenue position, particularly the additional capitalisation, to transfer this funding into a specific reserve to mitigate potential pressures in the next financial year.
  - 33.** For 2015-16, the Cabinet met in January 2016 to consider the Financial Overview and Forecast as at 30 November 2015. This report projected a forecast for the revenue budget to overspend by £3.7 million at the year-end, representing a projected 2.2 per cent overspend of the Council's approved budget. This projection includes savings that have been achieved. The projected position only reflects savings when delivered in order to ensure transparency, avoid year-end issues and clearly show any service areas which have yet to deliver their planned savings. Of the revenue savings of £12.8 million agreed as part of the 2015-16 budget, £6.9 million (53.8 per cent) had been achieved in the first eight months of the year. £5.9 million of savings remain to be achieved, 87 per cent of which are profiled for delivery during quarter four.
  - 34.** The Portfolio Holder for Finance and the Section 151 Officer make clear within the report that Directorates need to ensure that savings are delivered. This is in order to balance the budget and ensure reserves are not depleted beyond the planned level. However, the high level of savings profiled for delivery in quarter four is a potential risk as there will be little time to develop and implement alternative savings proposals if planned savings cannot be realised. The Council recognises this risk and has recently published a balanced three-year financial plan which is intended to help improve its profiling of future savings.
  - 35.** The Council achieved 80 per cent of the savings it identified for 2014-15 (delivering £14.02 million of savings from a required total of £17.58 million). The £3.56 million of unachieved savings were carried forward for delivery in the current year. Of these, £1.14 million was allocated to specific service areas. Of the remaining £2.42 million, £2.16 million (89 per cent) had been achieved by 30 November 2015.
  - 36.** The Council improved its approach to monitoring savings delivered in 2014-15 by recording achievement against savings targets on a 'line by line' basis. A detailed savings tracker (with RAG status) is updated by services each month and progress on delivery is reviewed and challenged by Corporate Management Team and the relevant Cabinet portfolio holder. An Income Board is also in place to review and challenge

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progress in income generation, this includes the Section 151 Officer and the Portfolio Holder for Finance and Performance.

37. The Council has also strengthened its management of reserves. It has recently adopted a reserves policy<sup>1</sup> establishing a framework within which decisions relating to reserves will be made. All reserves are now corporate with the exception of ring-fenced schools and HRA reserves. Use of reserves is approved through the budget process and virement rules during the year. Reserves are reported monthly within the budget monitoring report. The report provides a summary of the useable reserves held, including opening balances, budgeted and forecast use of reserves. There are reserves that are earmarked for specific purposes and their use is clearly defined and reported.
38. The Council recognises that further work is needed to optimise its income and deliver the Council's policy of full cost recovery as outlined in the Statement of Intent 2014-17. Cabinet recently approved a new Income Management and Service Cost Recovery Policy, and the Council has set a target of generating an additional £1.5 million of income over future years. The Charges Register is in its infancy and initial targets have been set for additional income generation from 2016-17. The Council's project, initially supported by PwC, to look at income generation/charging and cost recovery has raised the profile of income generation as a Council-wide response to the financial challenge. This project has identified a number of opportunities, some of which have been acted upon by the Council. For example, in relation to highways and cemetery service charges. In November 2015, the Council increased its Cemetery Fees by 65 per cent moving them from the lowest quartile in Wales into the highest quartile. The Council recognises that such an increase in fees will only achieve the targeted saving/cost recovery if demand for its services remains at the current levels, and that demand will need continued monitoring.

## Financial governance

### The Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance

39. The Council has made progress on the work started last year with the CfPS on strengthening financial resilience through scrutiny. This work has established a dedicated Finance Scrutiny Panel (FSP) (an independent body of non-Cabinet Members). There has been a series of learning seminars for Cabinet, Scrutiny and SMT using external providers and the Council has developed a scrutiny work programme. The FSP took part in a series of financial workshops; reviewed key Council documents; and held interviews with Members of Cabinet, members of SMT,

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<sup>1</sup> Powys County Council Report to Cabinet, 11 December 2015 – Reserves Policy

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the Strategic Director Resources (S151 Officer), and the Chief Executive. The FSP then produced a report containing eight recommendations for improvement in this area.

40. To help deliver on the recommendations the Council has produced a three-year MTF. It has held a workshop for Heads of Service to agree a revised approach to savings monitoring, and reviewed the corporate planning process to look at ways in which it can become more integrated with finance. The Council has also incorporated capital planning into the budget planning cycle so that revenue, capital and reserves are considered as one, reviewed its risk reporting process and reformatted the Cabinet Work Programme.
41. The Council has actively sought to increase Member involvement in the budget process. It has run a series of budget seminars with Councillors through the year. The seminars were held to explain the updated FRM to members and present the proposed savings drawn up by each service area. The aim was to inform broad proposals for setting the three-year budget, and to receive guidance from members on policy direction so that proposals could be turned into agreed action plans. In its progress report to Audit Committee in November 2015, the FSP recognised that the budget setting process in Powys is evolving. Whilst welcoming the earlier and more detailed involvement of Members, the FSP expressed some concerns that there were still too many elements of 'salami' slicing rather than transformational change and that some of the savings proposals may not be deliverable.
42. In the current period of austerity, it is vital for the Council to subject its savings proposals to scrutiny and challenge. It must obtain an objective evaluation of their achievability, and of their potential impact on quality of service and the achievement of corporate priorities.
43. Scrutiny and challenge happen internally at various stages, undertaken by both officer and member groups from service management teams to Cabinet. It is a key role for the FSP in particular. In relation to savings proposals for the 2016-17 budget, the FSP determined that it would put a series of questions to each Head of Service. They were asked about their levels of confidence in achieving savings, the plans and processes in place to achieve them, and the impact on their services. They were also asked to identify the impact of other services' savings on their proposals. The FSP began this work by meeting with the Heads of Services and Portfolio Holders for Adult Social Care and Children's Services in November 2015 to discuss their responses. Having reviewed the record of that meeting, we conclude that business was conducted with rigour and the issues identified for action appear appropriate. The FSP are preparing a report of the findings of their work for Cabinet prior to setting the budget for 2016-17.
44. In the majority of cases, the Council expects that savings proposals, and their appropriate scrutiny and challenge can be developed internally. However, the Council recognises that in some cases, it will need additional capacity and expertise to help it reduce its operating costs.
45. For example, in November 2015, the Council decided to commission KPMG to help develop a future delivery model for the Resources Directorate and reduce operating costs by £3.5 million over three years. An internal review will consider the necessary

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design, structure and operations to deliver corporate services for a council that is in a period of change, and will lead to a new overall operating model. KPMG will act as an advisor. The Council has commissioned PwC to provide similar external capacity and expertise in relation to the remodelling of Adult Social Care.

46. The FSP, at a recent joint meeting with Cabinet (14 December 2015) presented a report with a number of observations and suggestions to further improve the budget setting process for Cabinet to consider. The work undertaken so far, building upon the support from the external specialists, has enabled some positive benefits to be derived although some arrangements are clearly developing and have yet to be fully embedded.
47. In circumstances where timescales are compressed, it is particularly important to ensure that risk is effectively managed and proper accountability arrangements are in place. We recently published a report of our **Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited**<sup>2</sup>. It expresses our view that in its haste to introduce the new domiciliary care service as quickly as possible, the Council compromised the integrity of its established governance arrangements. In consequence, the Council and users of the domiciliary care service were exposed to unnecessary risk.
48. To meet the challenge of transforming service delivery with reduced financial resources and increasing demand, the Council has adopted a clearly defined commissioning and procurement strategy. Our report on the letting of the domiciliary care contract recommended that the Council consider whether the issues we have identified have wider relevance for the successful delivery of its commissioning and procurement strategy. It also recommends that the Council undertake a review of its processes for developing and letting major contracts. We emphasise the need to ensure that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working.

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<sup>2</sup> Wales Audit Office, **Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited**, January 2016 (via Powys County Council's website)

# Appendix 1

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## Key characteristics of good financial management

### Key characteristics of good financial planning

The council's budget is set in the context of a longer-term financial strategy and a medium-term financial plan covering a three to five-year horizon.

The council has clearly identified the savings it intends to make over a three to five-year term. The savings plan is underpinned by detailed costings and delivery plans for individual savings (including transformation/change savings).

The council has a good track record of delivering on its savings plans.

Medium-term financial planning and annual budgeting reflect the council's strategic objectives and priorities for the year, and over the longer term.

Assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services are modelled and based on reasonable predictions.

The council understands its sources of income and the risks arising from these, and has reviewed its approach to fees and charges to ensure it achieves value for money.

Financial and corporate planning processes are integrated, link to risk management arrangements, and incorporate strategic planning for other resources including the capital programme and workforce planning.

The council uses financial modelling to assess likely impacts on financial plans and required savings for different scenarios, and to help ensure short-term fixes are not achieved at the expense of long-term sustainability.

The council models key expenditure drivers (for example, population changes and demand for services), sources of income (for example, income and government grant forecasts), revenue consequences of capital and resource requirements and balances.

The council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.

If the council is not at its target level for balances, there is planned action in place to achieve this, taking account of any associated risks to the organisation's financial position and delivery of its priorities.





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### Key characteristics of good financial governance

The leadership team clearly understands the significant and rapidly changing financial management challenges and risks facing the organisation, and is taking appropriate action to secure a stable financial position.

The council has sufficient capacity and capability to promote and deliver good financial management.

The leadership team fosters an environment where there is good understanding and routine challenge of financial assumptions and performance, and a culture of transparency about the financial position.

The leadership team provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit for purpose.

There is regular and transparent reporting to members. Reports include detail of action planning and variance analysis.

Members scrutinise and challenge financial performance effectively, holding officers to account.

Internal and external audit recommendations are dealt with effectively and in a timely manner.

There is effective engagement with stakeholders on budget issues, including public consultations.



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# Asesiad o Gydnerthedd Ariannol

## Cyngor Sir Powys

**Blwyddyn archwilio:** 2015-16

**Cyhoeddwyd:** Ebrill 2016

**Cyfeirnod y ddogfen:** 196A2016

# Statws yr adroddiad

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Mae'r ddogfen hon wedi'i pharatoi fel rhan o waith a wneir yn unol â swyddogaethau statudol.

Os ceir cais am wybodaeth y gall y ddogfen hon fod yn berthnasol iddi, tynnir sylw at y Cod Ymarfer a gyhoeddwyd o dan adran 45 o Ddeddf Rhyddid Gwybodaeth 2000. Mae Cod adran 45 yn dweud beth yw'r drefn wrth ymdrin â cheisiadau y disgwylir i awdurdodau cyhoeddus ei dilyn, gan gynnwys ymgynghori â thrydydd partïon perthnasol.

Gyda golwg ar y ddogfen hon, mae Archwilydd Cyffredinol Cymru a Swyddfa Archwilio Cymru yn drydydd partïon perthnasol. Dylid anfon unrhyw ymholiadau ynglŷn â datgelu neu aildefnyddio'r ddogfen hon i Swyddfa Archwilio Cymru yn [swyddog.gwybodaeth@audit.wales](mailto:swyddog.gwybodaeth@audit.wales).

Y tîm a gwblhaodd y gwaith hwn oedd Colin Davies, Mike Jones, Nadeem Ashraf, Justine Morgan, Gareth W. Lewis ac Alison Lewis.

# Cynnwys

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Mae'r Cyngor yn gwella'i drefniadau rheoli ariannol ac yn elwa o graffu a herio mewnol sy'n gynyddol drwyadl, ond mae'n cydnabod bod angen iddo gysoni a monitro perfformiad y gwasanaeth a'r perfformiad ariannol er mwyn iddo fod yn ffyddiog y bydd yn cyflawni ei flaenoriaethau o fewn yr adnoddau sydd ar gael iddo.

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## Adroddiad cryno

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Crynodeb	4
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## Adroddiad manwl

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<b>Cynllunio ariannol</b>	6
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Mae'r Cyngor yn dal i ddatblygu a mireinio'i ymagwedd tymor hir at gynllunio ariannol, gan weithio i'w hintegreiddio a'i chysoni â'i newid corfforaethol a'i gynllunio ar gyfer gwella

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<b>Rheolaeth ariannol</b>	8
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Er bod trefniadau rheolaeth ariannol y Cyngor ar y cyfan yn ddigonol, mae'r trefniadau ar gyfer craffu ar berfformiad y gwasanaeth a'r perfformiad ariannol ar y cyd yn dal yn llai nag effeithiol

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<b>Llywodraethu ariannol</b>	11
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Mae trefniadau llywodraethu ariannol y Cyngor sydd wrthi'n datblygu'n arwain at graffu a herio mewnol cynyddol drwyadl ar ei berfformiad wrth iddo bennu ei gyllideb ac ar ei berfformiad ariannol

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## Atodiadau

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Prif nodweddion trefniadau rheoli ariannol da	14
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# Adroddiad cryno

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## Crynodeb

1. Mae trefniadau rheoli ariannol da'n hanfodol er mwyn stiwardio arian cyhoeddus yn effeithiol a darparu gwasanaethau cyhoeddus effeithlon. Mae trefniadau rheoli ariannol da:
  - yn helpu awdurdodau i wneud y penderfyniadau iawn ar gyfer y tymor byr, canol a hir;
  - yn helpu awdurdodau i ddarparu gwasanaethau i gyflawni dyletswyddau statudol ac anghenion cymunedau lleol;
  - yn hanfodol ar gyfer llywodraethu corfforaethol da;
  - yn ymwneud â rheoli perfformiad a chyflawni amcanion strategol gymaint ag â rheoli arian;
  - yn sylfaen ar gyfer sicrhau ansawdd gwasanaethau a'u gwella;
  - yn sail i atebolrwydd i randdeiliaid ar gyfer stiwardio a defnyddio adnoddau; ac
  - yn ddisgyblaeth reoli bwysig.
2. Nid rhagweld y dyfodol yw hanfod trefniadau rheoli ariannol tymor hir; yn hytrach mae a wnelo â pharatoi ar ei gyfer. Mae angen i awdurdodau ddeall y galw yn y dyfodol, asesu effaith newidiadau tebygol, adolygu'r bwlch rhwng anghenion cyllido a'r incwm posibl, a datblygu strategaethau arbed priodol.
3. Gall strategaethau tymor hir, manwl sy'n ffrwyth meddwl, a chynlluniau ariannol tymor canol sicrhau bod blaenoriaethau strategol yn cael eu cyflawni drwy alluogi dewisiadau ariannol priodol. I'r gwrthwyneb, mae cynllunio cyllidebau blynyddol tymor byr yn unig yn hybu ymagwedd fesul cam sy'n cael ei sbarduno gan brosesau ac fe all hyn fod yn aneffeithiol mewn cyfnod o newid allanol cyflym.
4. Llwyddir i sicrhau cydnerthedd ariannol pan fydd gan gyngor systemau a phrosesau trwyadl ar waith i reoli ei risgiau a'i gyfleoedd ariannol yn effeithiol, ac i sicrhau sefyllfa ariannol sefydlog.
5. Seiliwyd ein hadroddiad ym mis Ebrill 2015 **Cydnerthedd Ariannol Cyngorau yng Nghymru** ar waith maes ym mhob un o awdurdodau lleol Cymru. Yn sgil y gwaith hwn, a thrwy ystyried deunyddiau eraill sydd ar gael sy'n ymwneud ag agweddau ar drefniadau rheoli ariannol, rydym wedi crynhoi nifer o brif nodweddion arferion da i gynorthwyo ymarferwyr wrth iddynt ddatblygu eu trefniadau. Mae'r nodweddion hyn i'w gweld yn [Atodiad 1](#).
6. Ac ystyried y pwysau parhaus ar ariannu, rydym wedi ystyried a oes gan y Cyngor y trefniadau priodol ar waith i gynllunio ar gyfer sicrhau a chynnal ei gydnerthedd ariannol yn y tymor canol (gan amlaf rhwng tair a phum mlynedd i'r dyfodol). Er y gall fod mwy o sicrwydd i'r Cyngor dros gylch blynyddol, mae pwysau ariannol yn cael effaith y tu hwnt i gyfnod y setliad cyfredol. Rydym wedi ystyried tystiolaeth am ymagwedd y Cyngor at reoli ei faterion ariannol yn y gorffennol diweddar ac yn y tymor canol wrth lunio ein barn am ei gydnerthedd ariannol.



7. Cynhaliwyd ein hasesiad yn ystod y cyfnod rhwng mis Mai a mis Hydref 2015, gan ddilyn trywydd materion y tynnwyd sylw atynt yn y gwaith ar y sefyllfa ariannol yn 2014-15. Roedd y gwaith yn canolbwyntio ar gyflawni cynlluniau arbed 2014-15, a chyfnod cynllunio ariannol 2015-16.
8. Canolbwyntiwyd ar ateb y cwestiwn a ganlyn: **A yw Cyngor Sir Powys (y Cyngor) yn rheoli gostyngiadau yn y gyllideb yn effeithiol er mwyn sicrhau cydnerthedd ariannol?** Yn yr adroddiad hwn, rydym hefyd yn ystyried:
- **a yw'r trefniadau cynllunio ariannol yn gymorth effeithiol i sicrhau cydnerthedd ariannol;**
  - **a yw'r rheolaeth ariannol yn gymorth effeithiol i sicrhau cydnerthedd ariannol;**
  - **a yw'r llywodraethu ariannol yn gymorth effeithiol i sicrhau cydnerthedd ariannol.**
9. Mae'r adroddiad yn sgorio'r risg ar gyfer pob agwedd: cynllunio ariannol, rheolaeth ariannol a llywodraethu ariannol. Disgrifir y sgoriau a roddir ar gyfer risgiau isod.

<b>Risg isel</b>	Mae'r trefniadau'n ddigonol (neu'n well) heb lawer o ddiffygion i'w gweld mewn systemau, prosesau neu wybodaeth. Gall yr effaith ar allu'r cyngor i gyflawni ei gynllun ariannol fod yn fach iawn.
<b>Risg ganolig</b>	Mae ychydig o ddiffygion i'w gweld mewn systemau, prosesau neu wybodaeth a allai effeithio ar allu'r cyngor i gyflawni'r hyn y mae ei gynllun ariannol yn dymuno'i gyflawni.
<b>Risg uchel</b>	Mae diffygion sylweddol i'w gweld mewn systemau, prosesau neu wybodaeth ac/neu mae risg wirioneddol na fydd cynllun ariannol y cyngor yn cyflawni'r hyn y mae'n dymuno'i gyflawni.

10. Yn gyffredinol ein casgliad oedd bod **y Cyngor yn gwella'i drefniadau rheoli ariannol ac yn elwa o graffu a herio mewnol sy'n gynyddol drwyadl, ond ei fod yn cydnabod bod angen iddo gysoni a monitro perfformiad y gwasanaeth a'i berfformiad ariannol er mwyn iddo fod yn ffyddiog y bydd yn cyflawni ei flaenoriaethau o fewn yr adnoddau sydd ar gael iddo.** Casglwyd hyn ar sail ein canfyddiadau ynghylch y trefniadau cynllunio ariannol, rheolaeth ariannol, a llywodraethu ariannol. Rydym yn sgorio'r risg sydd i'r Cyngor wrth iddo geisio cyflawni ei gynllun ariannol ar gyfer pob un o'r elfennau hyn fel a ganlyn.

<b>Risg ganolig</b>	Cynllunio ariannol
<b>Risg ganolig</b>	Rheolaeth ariannol
<b>Risg ganolig</b>	Llywodraethu ariannol

# Adroddiad manwl

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Mae'r Cyngor yn gwella'i drefniadau rheoli ariannol ac yn elwa o graffu a herio mewnol sy'n gynyddol drwyadl, ond mae'n cydnabod bod angen iddo gysoni a monitro perfformiad y gwasanaeth a'r perfformiad ariannol er mwyn iddo fod yn ffyddiog y bydd yn cyflawni ei flaenoriaethau o fewn yr adnoddau sydd ar gael iddo.

## Cynllunio ariannol

Mae'r Cyngor yn dal i ddatblygu a mireinio'i ymagwedd tymor hir at gynllunio ariannol, gan weithio i'w hintegreiddio a'i chysoni â'i newid corfforaethol a'i gynllunio ar gyfer gwella

11. Mae'r Cyngor yn dal i ddatblygu ei drefniadau cynllunio ariannol strategol, gan arddel ymagwedd tymor hwy priodol at ragweld newidiadau i'w gyllideb. Mae'n llwyddo i wneud hyn drwy ei Fodel Adnoddau Ariannol (y Model) sy'n cael ei ddiweddarau a'i 'dreiglo ymlaen' bob blwyddyn. Ym Model y Cyngor yn 2015, nodwyd y diffyg yn y gyllideb ar gyfer 2015-16 ac ar gyfer y pedair blwyddyn ariannol nesaf hyd at 31 Mawrth 2020 (Gweler [Arddangosyn 1](#)).  
Drwy fynd ati fel hyn, mae'r Cyngor mewn gwell sefyllfa i allu cynllunio i ymateb i'r heriau y mae'n eu hwynebu o ran y gyllideb. Er enghraifft, mae cynlluniau i drawsnewid gwasanaethau y gall fod angen mwy na blwyddyn i'w gwireddu'n cael eu hadlewyrchu'n well drwy gael gorwel cynllunio hwy fel hyn.

Arddangosyn 1: Gofynion Gostwng Costau/Effeithlonrwydd Pum Mlynedd Cyngor Sir Powys

Blwyddyn	Gostyngiad yn y Costau/Effeithlonrwydd sy'n Ofynnol (£ miliwn)
2015-16	11.634
2016-17	10.073
2017-18	8.428
2018-19	8.463
2019-20	8.538
<b>Cyfanswm</b>	<b>47.136</b>

Ffynhonnell: Cyngor Sir Powys - Model Adnoddau Ariannol Chwefror 2015

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12. Dilynodd y Cyngor y templed gwell a ddefnyddiwyd ganddo y llynedd i baratoi cynllun arbed linell-wrth-linell ar gyfer 2015-16 sy'n nodi arbedion gwerth £12.8 miliwn. Mae'r cynllun yn rhestru pob cynnig arbed fesul cyfarwyddiaeth a maes gwasanaeth ac mae'n pennu'r gwerth targed i'w gyflawni.
  13. Yn ogystal â'r Model, datblygwyd Strategaeth Ariannol Tymor Canol gynhwysfawr fel rhan o'r broses gynllunio strategol gyffredinol yn y Cyngor, ac mae hyn yn golygu bod y Cabinet yn ymrwmo i ddarparu cynllun ariannol tair blynedd cytbwys.
  14. Ar gyfer 2015-16, datblygodd y Cyngor ei gyllideb o fewn y fframwaith a sefydlwyd gan y Datganiad o Fwriad. Nod y Datganiad o Fwriad yw dwyn ynghyd mewn un man wybodaeth am y sbardunau ariannol a rheoleiddiol a'r sbardunau polisi sy'n effeithio ar y Cyngor ac sy'n helpu'r Cabinet i lunio'i hymagwedd at bennu'r gyllideb a'i amcanion gwella. Ystyriodd y Cyngor hefyd amrywiaeth o faterion gan gynnwys anghenion cymunedau a barn preswylwyr, pwysau ariannol a chwyddiant, adolygiadau perfformiad a rheoleiddio gan Swyddfa Archwilio Cymru, Estyn ac Arolygiaeth Gofal a Gwasanaethau Cymdeithasol Cymru (AGGCC). Cyflwynwyd y Strategaeth Ariannol Tymor Canol ochr yn ochr â'r gyllideb ar gyfer 2015-16 a Rhaglen Gyfalaf 2015-20.
  15. Y llynedd, dywedasom fod angen i'r Cyngor fod yn glir ynghylch sut y byddai'n darparu adnoddau ar gyfer y blaenoriaethau corfforaethol a nodwyd ganddo (yn y Datganiad o Fwriad a Chynllun Powys yn Un). Hefyd, y dylai fod yn glir ynghylch sut y byddai'n sicrhau bod ei gynlluniau ariannol corfforaethol a strategol wedi'u cysoni'n ddigonol â'i gilydd. Roedd y Cyngor yn cydnabod y dylai ei gynllunio ariannol ddechrau'n gynharach ac fe ddechreuodd y gwaith cychwynnol ar gyfer cyllideb 2015-16 ym mis Mai 2014. Wrth gynllunio'r gyllideb, y nod oedd ceisio rhoi mwy o eglurdeb ynghylch proses ac amseru'r gyllideb i'r Aelodau nag y llwyddwyd i'w wneud o'r blaen.
  16. I lywio'r penderfyniadau ynghylch cyllideb y Cyngor ar gyfer 2016-17, mae'r Tîm Cyllid wedi rhoi manylion i'r aelodau am y cynigion penodol ar gyfer arbedion er mwyn sicrhau'r gostyngiadau mewn costau sydd eu hangen, ar gyfer 2016-17, a'r ddwy flwyddyn ariannol ddilynol. Mae rhagnodi'r cynigion arbed ar gyfer cyfnod o dair blynedd yn ddatblygiad cadarnhaol, gan feithrin mwy o ymwybyddiaeth o newidiadau i wasanaethau yn y dyfodol a chaniatáu amserlen hwy ar gyfer cynllunio.
  17. Mae pob un o'r cynigion arbed wedi bod yn destun Asesiad Effaith Integredig Sengl i helpu'r Cyngor i ddeall yr effeithiau posibl, i nodi'r risgiau sy'n gysylltiedig â'u cyflawni ac i liniaru'r risgiau hynny. Mae'r Asesiad yn ystyried gweledigaeth a blaenoriaethau strategol y Cyngor, nodau Llesiant Cymru, egwyddorion datblygu cynaliadwy, cydraddoldeb, y Gymraeg a rheoli risgiau. Paratoir yr Asesiadau hyn gan Benaethiaid Gwasanaethau, ac fe'u cymeradwyir gan Gyfarwyddwyr Strategol, Deiliaid Portffolio, a'u llofnodi gan y Cabinet i'w cadarnhau.
  18. Er mwyn gwireddu ei weledigaeth, mae'r Cyngor wedi creu model gweithredu newydd a fydd yn ceisio comisiynu gwasanaethau yn y dyfodol ar sail y blaenoriaethau a ganlyn:
    - ailfodelu gwasanaethau Cyngor er mwyn ymateb i'r gostyngiad yn ei ariannu;
    - helpu pobl yn y gymuned i fyw bywydau llawn;
    - datblygu'r economi; a
    - gwella deilliannau i bob dysgwr, gan sicrhau cyn lleied o anfantais â phosibl.

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19. Bwriad y Cabinet yw y bydd y blaenoriaethau hyn yn help i sicrhau'r newidiadau angenrheidiol ac y bydd y Cyngor, er mwyn cynnal gwasanaethau, yn helpu cymunedau a dinasyddion i wneud rhagor drostynt eu hunain ac yn annog ei staff i weithio mewn ffyrdd newydd ac ysgwyddo cyfrifoldebau newydd.
20. I'r dyfodol, mae gweledigaeth y Cyngor 'Cymunedau Cryf yng Nghalon Werdd Cymru' yn rhagweld y Cyngor yn gweithredu ar sail costau is o lawer, yn sicrhau gwasanaethau cost-effeithiol sy'n canolbwyntio ar ganlyniadau craidd i drigolion, busnesau a chymunedau ac yn cael eu darparu gan y darparwr mwyaf effeithiol.
21. Mae'r Cyngor yn sylweddoli nad yw'n gallu gostwng costau ar y raddfa sydd ei hangen drwy broses y gyllideb flynyddol sy'n gosod nod ar gyfer arbedion i wasanaethau. Mae'n datblygu proses barhaus sy'n cynnwys strategaeth glir ar gyfer gwella costau. Mae'r Cyngor yn derbyn y bydd gofyn iddo sicrhau gwell dealltwriaeth o sylfaen gostau pob gwasanaeth a datblygu model o themâu torri costau allweddol er mwyn gweithredu'n gyson ac yn gydlynol.
22. Mae gwaith datblygu'r strategaeth wedi dechrau o dan Raglen Datblygu Trefniadaethol y Cyngor - Gwella Costau. Amcan y strategaeth gwella costau yw:
- nodi'r bwlch ariannol rhwng y galw a'r arian sydd ar gael;
  - nodi dulliau ychwanegol ar draws y cyngor sy'n helpu gwasanaethau i wella'u costau;
  - llunio rhaglen gwella costau gyffredinol a helpu rhanddeiliaid i flaenoriaethu ac ymrwymo;
  - darparu prosesau trwyadl i reoli buddion a deall a rheoli costau; a
  - herio er mwyn sicrhau bod buddion yn cael eu cyflawni mewn ffordd drwyadl a dibynadwy a dilyn trywydd y llwyddiant hwnnw.
23. Wrth adolygu'r trefniadau a oedd ar waith a'u gweithredu ar gyfer Cyllideb 2015-16, gwelwyd bod cynlluniau ariannol strategol y Cyngor a'i gynlluniau newid a gwella corfforaethol yn cael eu datblygu ochr yn ochr â'i gilydd a bod y naill yn dylanwadu ar y llall. Dylai bwriad y Cyngor yn y dyfodol a'r gwaith sydd ganddo ar y gweill a ddisgrifiwyd uchod arwain at integreiddio a chysoni llawnach ar ei drefniadau cynllunio strategol, gan gryfhau gallu'r Cyngor i gamu ymlaen at wireddu'r weledigaeth a'r blaenoriaethau y mae wedi'u datgan.
24. Yn ddiweddar, cyfunodd y Cyngor y Portffolio Cyllid a'r Portffolio Perfformiad i'w helpu i hwyluso integreiddio a chysoni cynllunio strategol. I gryfhau'r craffu ariannol eto, yn ei flaenraglenni gwaith, mae'r Cyngor yn bwriadu cynnwys craffu ar y cysylltiadau rhwng y gyllideb arfaethedig, y Strategaeth Ariannol Tymor Canol, y Datganiad o Fwriad a Chynllun Powys yn Un. Bwriedir i'r cynllun hwn helpu i sicrhau bod yr adnoddau ariannol ar waith i wireddu nodau'r Cyngor.

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## Rheolaeth ariannol

Er bod trefniadau rheolaeth ariannol y Cyngor ar y cyfan yn ddigonol, mae'r trefniadau ar gyfer craffu ar berfformiad y gwasanaeth a'r perfformiad ariannol ar y cyd yn dal yn llai nag effeithiol

25. Ym mis Gorffennaf 2014, symudodd y Tîm Cyllid at fodel partneru busnes gan ymateb i'r gostyngiad yn nifer y staff a'r angen i wneud prosesau'n fwy effeithlon. Yn dilyn ymweliad â Chanolfan Ragoriaeth Cyllid y BBC yng Nghaerdydd mae'r Tîm Cyllid yn bwriadu defnyddio model partneru busnes y Ganolfan gan ddatblygu adolygiadau o systemau main. Mae'r tîm eisoes wedi cwtdogi'r amser rhwng y cau misol ac adrodd ar y gyllideb i 13 diwrnod drwy gwblhau adolygiad systemau main. Mae'r Partneriaid Busnes Cyllid yn helpu deiliaid cyllidebau, Penaethiaid Gwasanaethau a Chyfarwyddwyr Strategol ar bob mater ariannol gan gynnig cyngor a chanllawiau a'u herio. Mae gan bob deilydd cyllideb gyllidebau penodol i'w rheoli a'u cadw o dan reolaeth. Mae gan bob canolfan gostau un rheolwr penodol, a hwnnw wedi'i bennu gan y Cyfarwyddwr Strategol, y Cyfarwyddwr neu'r Pennaeth Gwasanaeth perthnasol.
26. Serch hynny, mae problemau capasiti yn yr Adran Gyllid. Mae ailstrwythuro mawr wedi digwydd yn ystod yr ychydig flynyddoedd diwethaf ac mae'r Adran Gyllid wedi gweld gostyngiad o oddeutu 20 y cant yn nifer ei staff. Mae hyn wedi effeithio ar gapasiti'r tîm. Mae rhai swyddi gweigion yno o hyd ond mae'r Cyngor wedi'i chael yn anodd recriwtio i bob swydd ac eithrio i swyddi cyfrifyddion iau.
27. Mae gan y Cyngor fframwaith clir ar gyfer rheoli ei faterion ariannol. Mae'r Rheolau Gweithdrefnau Ariannol yn rhoi canllawiau manwl am wahanol agweddau'r broses gan gynnwys dirprwyo trefniadau rheoli ariannol. At hynny, mae nifer o gyfarwyddiadau/llawlyfrau ar gael sy'n gefn i'r fframwaith hwn ac yn nodi'r prosesau a'r camau manwl y mae gofyn eu dilyn.
28. Mae trefniadau monitro cyllidebau'r Cyngor yn rheolaidd ac yn gynhwysfawr. Bydd cyllidebau'n cael eu monitro o leiaf unwaith y mis fel rhan o weithdrefnau diwedd y mis a bydd deiliaid cyllidebau'n gallu cael gafael ar wybodaeth ariannol unrhyw bryd drwy gyfrwng y Partneriaid Busnes Cyllid. Bydd rheolwyr cyllidebau'n adrodd yn rheolaidd i'w rheolwyr llinell am unrhyw amrywiadau sylweddol i'r cyllidebau a gymeradwywyd.
29. Bydd adroddiad am y sefyllfa ariannol yn cael ei gyflwyno bob mis ar draws y Cyngor ar bob lefel. Bydd y Cabinet a Gweithgor Ariannol a Pherfformiad (y Pwyllgor Archwilio) yn awr yn cael adroddiad misol mwy cynhwysfawr (Golwg Gyffredinol ar y Sefyllfa Ariannol a'r Rhagolygon a baratoir gan Ddeiliaid y Portffolio Cyllid). Mae'r adroddiad yn diweddarau'r rhagolwg ar gyfer alldro pob maes gwasanaeth (ar gyfer cyllidebau refeniw a chyfalaf); yn cofnodi lefel sicrhau'r arbedion/ effeithlonrwydd a dargedwyd fesul gwasanaeth; gan dynnu sylw at yr alldro a gyllidebwyd ac a ragwelwyd, ac mae'n nodi'r effaith bosibl ar sefyllfa'r cronfeydd wrth gefn.
30. Ni ddarperir adroddiad am y data ariannol a data am berfformiad gyda'i gilydd yn y fformat adrodd newydd hwn. Mae'r Cyngor wedi cydnabod bod hyn yn wendid ac mae'n bwriadu sefydlu Uned Gwybodaeth Fusnes gyda'r nod o sicrhau gwell cysylltiad rhwng data am gyllid a data am berfformiad. Mae'r dull hwn yn cael ei dreialu ar hyn o

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bryd wrth ymdrin â gwybodaeth am Wasanaethau Plant. Yn y cyfamser, bydd y Gweithgor Ariannol a Pherfformiad yn cael gwybodaeth chwarterol am berfformiad gwasanaethau ac yn ei hadolygu ochr yn ochr â'r Golwg Gyffredinol ar y Sefyllfa Ariannol a'r Rhagolygon. Serch hynny, wrth adrodd am ei gynnydd i'r Pwyllgor Archwilio ym mis Tachwedd 2105, roedd y Gweithgor yn poeni bod y data am berfformiad a ddarperid yn annigonol a bod cael gafael ar wybodaeth yn broses rhy araf o hyd. Adroddodd y Grŵp hefyd, er bod craffu wedi gwneud cyfraniad drwy herio'r Cynlluniau Gwella Gwasanaethau sy'n datblygu, ei fod yn dal i feddwl bod targedau'n annigonol o glir neu berthnasol. Gofynnodd y Grŵp i Grŵp Llywio'r Cyd-gadeiryddion ystyried eto'r trefniadau craffu ar berfformiad.

- 31.** Yn ystod y blynyddoedd diwethaf, amrywiol fu hanes y Cyngor wrth gyflawni ei gyllideb yn gyffredinol. Gwelwyd tanwariant ar y gyllideb yn 2011-12 ac yn 2012-13. Gwelwyd gorwariant o £0.8 miliwn ar y gyllideb yn 2013-14, a defnyddiodd y Cyngor ei gronfeydd wrth gefn i gau'r bwlch.
- 32.** Ar gyfer 2014-15, cymeradwywyd cyllideb refeniw o £242.4 miliwn ar gyfer y Cyngor ac adroddwyd mai'r gwariant oedd £249.7 miliwn. Ariannwyd y gwahaniaeth, sef £7.3 miliwn, drwy ddefnyddio cronfeydd wrth gefn penodol a rhai wedi'u neilltuo. Mae defnyddio cronfeydd wrth gefn fel hyn yn drefn sydd wedi'i chymeradwyo, naill ai drwy gynllunio ar ei gyfer wrth bennu cyllidebau neu drwy drosglwyddiadau yn ystod y flwyddyn, ac mae'n cynnwys taliadau diswyddo gwirfoddol. Ar ôl cynnwys trosglwyddiadau cymeradwy o'r cronfeydd wrth gefn, yn yr adroddiad am berfformiad y gwasanaeth o'i gymharu â'r gyllideb, gwelwyd bod tanwariant o £2.0 miliwn (ac eithrio cyllidebau Dirprwyedig Ysgolion a'r Cyfrif Refeniw Tai). Mae'r ffigur tanwario hwn yn cynnwys £1.7 miliwn o gyfalafu arian refeniw ar ddiwedd y flwyddyn. Achubodd y Cyngor ar y cyfle i gyfalafu gwariant refeniw ym meysydd Priffyrdd, Trafnidiaeth a Gwastraff er mwyn lleihau'r effaith ar refeniw fel arbediad untro. Cyn cyfalafu, y tanwariant oedd £282,000 ar ôl eithrio cyllidebau Dirprwyedig Ysgolion a'r Cyfrif Refeniw Tai. Defnyddiodd y Cyngor y cyfle a gododd yn sgil gwella'i sefyllfa refeniw, yn enwedig y cyfalafu ychwanegol, i drosglwyddo'r arian hwn i gronfa wrth gefn benodol i liniaru pwysau posibl yn y flwyddyn ariannol nesaf.
- 33.** Ar gyfer 2015-16, cyfarfu'r Cabinet ym mis Ionawr 2016 i ystyried y Golwg Ariannol Gyffredinol a'r Rhagolygon ar 30 Tachwedd 2015. Roedd yr adroddiad hwn yn rhagweld amcanestyniad lle y byddai gorwariant o £3.7 miliwn ar y gyllideb refeniw erbyn diwedd y flwyddyn, sy'n amcanestyniad o 2.2 y cant o orwario ar gyllideb gymeradwy'r Cyngor. Mae'r amcanestyniad hwn yn cynnwys arbedion sydd wedi'u sicrhau. Nid yw'r amcanestyniad ond yn adlewyrchu arbedion pan fydd y rheini'n cael eu cyflawni'n unig er mwyn sicrhau tryloywder, osgoi problemau diwedd-blwyddyn a dangos yn glir unrhyw feysydd gwasanaeth sydd heb eto sicrhau'r arbedion a gynlluniwyd. O blith yr arbedion refeniw o £12.8 miliwn y cytunwyd arnynt fel rhan o gyllideb 2015-16, llwyddwyd i sicrhau £6.9 miliwn (53.8 y cant) yn ystod wyth mis cyntaf y flwyddyn. Mae £5.9 miliwn o arbedion i'w cyflawni eto, a bwriedir cyflawni 87 y cant o'r rheini yn ystod y pedwerydd chwarter.
- 34.** Mae Deilydd y Portffolio Cyllid a'r Swyddog Adran 151 yn ei gwneud yn glir yn yr adroddiad bod angen i Gyfarwyddiaethau sicrhau bod yr arbedion yn cael eu cyflawni. Mae hyn er mwyn tafoli'r gyllideb a sicrhau nad yw'r cronfeydd wrth gefn yn cael eu

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gwagio y tu hwnt i'r lefel a gynlluniwyd. Serch hynny, mae lefel uchel yr arbedion y bwriedir eu cyflawni yn y pedwerydd chwarter yn risg bosibl oherwydd, oni ellir gwireddu'r arbedion a gynlluniwyd, bydd amser yn brin i ddatblygu a rhoi cynlluniau arbed eraill ar waith. Mae'r Cyngor yn cydnabod y risg hon ac, yn ddiweddar, mae wedi cyhoeddi cynllun ariannol tair blynedd cytbwys gyda'r nod o'i helpu i wella'r ffordd mae'n cynllunio arbedion yn y dyfodol.

- 35.** Llwyddodd y Cyngor i sicrhau 80 y cant o'r arbedion a nodwyd ganddo ar gyfer 2014-15 (gan sicrhau £14.02 miliwn o arbedion o gyfanswm gofynnol o £17.58 miliwn). Dygwyd y £3.56 miliwn o arbedion oedd heb eu sicrhau ymlaen i'w cyflawni yn y flwyddyn gyfredol. O blith y rhain, dyrannwyd £1.14 miliwn i feysydd gwasanaeth penodol. O blith y £2.42 miliwn a oedd yn weddill, roedd £2.16 miliwn (89 y cant) wedi'u cyflawni erbyn 30 Tachwedd 2015.
- 36.** Llwyddodd y Cyngor i wella'i ddull o fonitro'r arbedion a gyflawnwyd yn 2014-15 drwy gofnodi'r hyn a gyflawnwyd o'i gymharu â'r targedau arbed ar sail 'linell wrth linell'. Bydd dull manwl i olrhain arbedion (sydd â statws RAG) yn cael ei ddiweddarau gan y gwasanaethau bob mis a bydd y cynnydd yn cael ei adolygu a'i herio gan y Tîm Rheoli Corfforaethol a deilydd y portffolio perthnasol yn y Cabinet. Mae Bwrdd Incwm wedi'i sefydlu hefyd i adolygu a herio'r cynnydd a wneir wrth gynhyrchu incwm. Mae hyn yn cynnwys y Swyddog Adran 151 a Deilydd y Portffolio Cyllid a Pherfformiad.
- 37.** Mae'r Cyngor hefyd wedi cryfhau ei drefniadau ar gyfer rheoli cronfeydd wrth gefn. Yn ddiweddar, mae wedi mabwysiadu polisi cronfeydd wrth gefn<sup>1</sup> gan sefydlu fframwaith ar gyfer gwneud penderfyniadau ynghylch y cronfeydd hyn. Mae pob cronfa wrth gefn bellach yn un gorfforaethol ac eithrio cronfeydd ysgolion a chronfeydd y Cyfrif Refeniw Tai sydd wedi'u neilltuo. Cymeradwyir defnyddio cronfeydd wrth gefn drwy gyfrwng proses y gyllideb a rheolau trosglwyddo yn ystod y flwyddyn. Cyflwynir adroddiadau am gronfeydd wrth gefn bob mis yn adroddiad monitro'r gyllideb. Mae'r adroddiad yn crynhoi'r cronfeydd wrth gefn defnyddiadwy sy'n cael eu cadw, gan gynnwys balansau agor, a gwybodaeth am ddefnyddio'r cronfeydd cadw - rhai sydd wedi'u cyllidebu a'r rhai a ragwelir. Clustnodir rhai cronfeydd wrth gefn at ddibenion penodol gan ddiffinio'n glir sut y caiff y rhain eu defnyddio a chyflwynir adroddiadau ynghylch hynny.
- 38.** Mae'r Cyngor yn cydnabod bod angen gwneud rhagor o waith i sicrhau cymaint o incwm ag y bo modd ac i wireddu polisi'r Cyngor o adfer ei gostau'n llawn fel y nodir yn Natganiad o Fwriad 2014-17. Yn ddiweddar, cymeradwyodd y cabinet Bolisi Rheoli Incwm ac Adfer Costau Gwasanaethau, ac mae'r Cyngor wedi pennu targed i gynhyrchu incwm ychwanegol o £1.5 miliwn ym mlynnyddoedd y dyfodol. Mae'r Gofrestr Taliadau yn ei fabandod ac mae targedau cychwynnol wedi'u gosod ar gyfer cynhyrchu incwm ychwanegol o 2016-17 ymlaen. Mae prosiect y Cyngor, gyda chefnogaeth yn y lle cyntaf gan PwC, i edrych ar gynhyrchu incwm/codi taliadau ac adfer costau wedi codi proffil cynhyrchu incwm fel ymateb Cyngor cyfan i'r her ariannol. Mae'r prosiect hwn wedi nodi nifer o gyfleoedd, ac mae'r Cyngor wedi gweithredu ar rai o'r rhain. Er enghraifft, gyda golwg ar daliadau am briffyrdd a gwasanaethau mynwentydd. Ym mis Tachwedd 2015, cynyddodd y Cyngor ei Ffioedd Mynwentydd 65 y cant gan eu symud o'r chwarterel isaf yng Nghymru i'r chwarter uchaf. Mae'r Cyngor yn sylweddoli na fydd cynyddu ffioedd fel hyn ond yn sicrhau'r

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<sup>1</sup> Adroddiad Cyngor Sir Powys i'r Cabinet, 11 Rhagfyr 2015 - Polisi Cronfeydd wrth Gefn

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arbedion/adfer y costau a dargedwyd os bydd y galw am ei wasanaethau'n parhau ar y lefelau presennol, ac y bydd angen monitro'r galw'n barhaus.

## Llywodraethu ariannol

**Mae trefniadau llywodraethu ariannol y Cyngor sydd wrthi'n datblygu'n arwain at graffu a herio mewnol cynyddol drwyadl ar ei berfformiad wrth iddo bennu ei gyllideb ac ar ei berfformiad ariannol.**

Mae'r Cyngor wedi camu ymlaen gyda'r gwaith a ddechreuwyd y llynedd gyda'r Ganolfan Craffu Cyhoeddus i gryfhau cydnerthedd ariannol drwy graffu. Mae'r gwaith hwn wedi sefydlu Panel arbennig i Graffu ar Gyllid (corff annibynnol nad yw'n cynnwys Aelodau'r Cabinet). Mae cyfres o seminarau dysgu wedi'u cynnal ar gyfer y Cabinet, Craffu a'r Uwch Dîm Rheoli drwy ddefnyddio darparwyr allanol ac mae'r Cyngor wedi datblygu rhaglen ar gyfer gwaith craffu. Cymerodd y Panel Craffu ar Gyllid ran mewn cyfres o weithdai ariannol; adolygodd brif ddogfennau'r Cyngor; a chynhaliodd gyfweiliadau ag Aelodau'r Cabinet, aelodau'r Uwch Dîm Rheoli, Cyfarwyddwr Strategol Adnoddau (Swyddog A151) a'r Prif Weithredwr. Wedyn, cyhoeddodd y Panel adroddiad a oedd yn cynnwys wyth argymhelliad ar gyfer gwella yn y maes hwn.

39. Er mwyn ei helpu i gyflawni'r argymhellion, mae'r Cyngor wedi cynhyrchu Strategaeth Ariannol Tymor Canol tair blynedd. Mae wedi cynnal gweithdy i Benaethiaid Gwasanaethau i gytuno ar ddull diwygiedig o fonitro arbedion, ac mae wedi adolygu'r broses cynllunio corfforaethol i ystyried sut y gellir ei hintegreiddio fwy â chyllid. Mae'r Cyngor hefyd wedi cynnwys cynllunio cyfalaf yn y cylch cynllunio cyllidebol er mwyn i'r referniw, y cyfalaf a chronfeydd cadw gael eu hystyried yn un, wedi adolygu ei broses adrodd am risgiau ac wedi ailfformatio Rhaglen Waith y Cabinet.
40. Mae'r Cyngor wedi mynd ati'n frwd i gryfhau'r rhan y mae Aelodau'n ei chwarae ym mhroses y gyllideb. Mae wedi cynnal cyfres o seminarau cyllideb gyda Chynghorwyr yn ystod y flwyddyn. Cynhaliwyd y seminarau i esbonio'r Model Adnoddau Ariannol sydd wedi'i ddiweddarau i'r aelodau ac i gyflwyno'r arbedion arfaethedig sydd wedi'u paratoi gan bob maes gwasanaeth. Y nod oedd llywio cynigion cyffredinol ar gyfer pennu'r gyllideb tair blynedd a chael arweiniad gan yr aelodau am gyfeiriad polisiâu er mwyn i'r cynigion gael eu troi'n gynlluniau gweithredu cytunedig. Yn ei adroddiad cynnydd i'r Pwyllgor Archwilio ym mis Tachwedd 2015, roedd y Panel Craffu ar Gyllid yn cydnabod bod proses gosod y gyllideb ym Mhowys yn esblygu. Er bod y Panel yn croesawu gweld Aelodau'n cymryd rhan yn gynharach ac mewn ffordd fwy manwl, dywedodd ei fod yn poeni braidd bod gormod o doriadau tameidiog o hyd yn hytrach na newid trawsnewidiol ac nad oes sicrwydd y gellir cyflawni rhai o'r cynigion arbed.
41. Yn y cyfnod hwn o gyni, mae'n hanfodol i'r Cyngor sicrhau bod ei gynigion arbed yn destun craffu a herio. Rhaid iddo gael arfarniad gwrthrychol o ba mor ymarferol yw eu cyflawni, ac o'u heffaith bosibl ar ansawdd y gwasanaeth a chyflawni'r blaenoriaethau corfforaethol.



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42. Bydd y craffu a'r herio'n digwydd yn fewnol yn ystod gwahanol gamau gan swyddogion a grwpiau o aelodau o'r timau rheoli gwasanaethau i'r Cabinet. Mae'n rôl allweddol i'r Panel Craffu ar Gyllid yn benodol. O ran cynigion arbed ar gyfer cyllideb 2016-17, penderfynodd y Panel y byddai'n cyflwyno cyfres o gwestiynau i bob Pennaeth Gwasanaeth. Gofynnwyd iddynt pa mor ffyddiog yr oeddent ynghylch eu gallu i sicrhau arbedion, y cynlluniau a'r prosesau sydd ar waith i'w gwireddu, a'u heffaith ar eu gwasanaethau. Gofynnwyd iddynt nodi effaith arbedion gwasanaethau eraill ar eu cynigion. Dechreuodd y Panel ar y gwaith hwn drwy gyfarfod â Phenaethiaid Gwasanaethau a Deiliaid Portffolio Gofal Cymdeithasol Oedolion a Gwasanaethau Plant ym mis Tachwedd 2015 i drafod eu hymatebion. Ar ôl adolygu cofnodion y cyfarfod hwnnw, ein casgliad yw bod y gwaith wedi'i gyflawni'n drwyadl ac i bob golwg bod y materion hynny lle y nodwyd bod angen camau gweithredu'n briodol. Mae'r Panel yn paratoi adroddiad am ganfyddiadau eu gwaith i'r Cabinet cyn pennu'r gyllideb ar gyfer 2016-17.
43. Ar y cyfan, mae'r Cyngor yn disgwyl y bydd modd datblygu'r cynigion arbed, a chraffu a herio'n briodol arnynt yn fewnol. Serch hynny, mae'r Cyngor yn cydnabod, mewn ambell achos, y bydd angen capasiti ac arbenigedd ychwanegol i'w helpu i leihau ei gostau gweithredu.
44. Er enghraifft, ym mis Tachwedd 2015, penderfynodd y Cyngor gomisiynu KPMG i'w helpu i ddatblygu model cyflawni ar gyfer y Gyfarwyddiaeth Adnoddau yn y dyfodol ac i leihau ei gostau gweithredu £3.5 miliwn dros dair blynedd. Bydd adolygiad mewnol yn ystyried y cynllun, y strwythur a'r gweithrediadau sy'n angenrheidiol er mwyn darparu gwasanaethau corfforaethol i gyngor sy'n mynd drwy gyfnod o newid, a bydd yn arwain at fodel gweithredu newydd drwyddo draw. Bydd KPMG yn cynghori'r cyngor yn y broses hon. Mae'r Cyngor wedi comisiynu PwC i ddarparu capasiti ac arbenigedd allanol tebyg gyda golwg ar ailfodelu Gofal Cymdeithasol i Oedolion.
45. Mewn cydgyfarfod diweddar â'r Cabinet (1 Rhagfyr 2015) cyflwynodd y Panel Craffu ar Gyllid adroddiad a oedd yn cynnwys nifer o sylwadau ac awgrymiadau i'r Cabinet eu hystyried ynghylch sut y gellid gwella eto broses pennu'r gyllideb. Mae'r gwaith sydd wedi'i wneud hyd yn hyn, gan adeiladu ar y cymorth gan yr arbenigwyr allanol, wedi galluogi sicrhau nifer o fuddion cadarnhaol er bod rhai trefniadau'n amlwg yn dal i ddatblygu a heb fwrw gwreiddiau eto.
46. O dan amgylchiadau lle mae'r amserlenni'n gyfyng, mae'n arbennig o bwysig sicrhau bod risg yn cael ei rheoli'n effeithiol a bod trefniadau atebolrwydd priodol ar waith. Yn ddiweddar, fe gyhoeddwyd adroddiad am ein **Harolwg o Osod Contract Gofal Cartref i Alpha Care Limited**<sup>2</sup>. Mae'n mynegi ein barn bod y Cyngor, yn ei frys i gyflwyno'r gwasanaeth gofal cartref newydd mor gyflym, wedi peryglu dilysrwydd ei drefniadau llywodraethu sefydledig. Yn sgil hyn, gadawyd y Cyngor a defnyddwyr y gwasanaeth gofal cartref yn agored i risg ddiangen.
47. Er mwyn ymateb i her trawsnewid darparu gwasanaethau ar adeg pan fo adnoddau'n prinhaus a'r galw'n cynyddu, mae'r Cyngor wedi mabwysiadu strategaeth gomisiynu a chaffael sydd wedi'i diffinio'n glir. Yn ein hadroddiad am osod y contract gofal cartref,

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<sup>2</sup>Swyddfa Archwilio Cymru, **Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited**, Ionawr 2016 (ar wefan Cyngor Sir Powys)

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argymhellwyd y dylai'r Cyngor ystyried a oes arwyddocâd ehangach i'r materion yr ydym wedi'u nodi o ran cyflawni ei strategaeth gomisiynu a chaffael yn llwyddiannus. Mae'n argymhell hefyd y dylai'r Cyngor adolygu ei brosesau ar gyfer datblygu a gosod contractau mawr. Rydym yn pwysleisio bod angen sicrhau bod y trefniadau llywodraethu ar gyfer datblygu ymarferion contractio, craffu arnynt a'u cymeradwyo'n briodol ac yn gweithio.

# Atodiad 1

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## Prif nodweddion trefniadau rheoli ariannol da

### Prif nodweddion cynllunio ariannol da

Mae cyllideb y cyngor yn cael ei phennu yng nghyd-destun strategaeth ariannol tymor hwy a chynllun ariannol tymor canol ac iddo orwel rhwng tair a phum mlynedd.

Mae'r cyngor wedi nodi'n glir yr arbedion y mae'n bwriadu eu gwneud dros gyfnod o dair i bum mlynedd. Mae cynlluniau costio a chyflawni manwl yn sylfaen i'r cynllun arbed ar gyfer arbedion unigol (gan gynnwys arbedion trawsnewid/newid).

Mae gan y cyngor hanes da o gyflawni ei gynlluniau arbed.

Mae'r cynllunio ariannol tymor canol a'r cyllidebu blynyddol yn adlewyrchu amcanion a blaenoriaethau strategol y cyngor ar gyfer y flwyddyn, ac yn y tymor hwy.

Mae tybiaethau ynghylch chwyddiant, lefelau incwm, demograffeg, galw am wasanaethau yn y dyfodol a chostau darparu gwasanaethau wedi'u modelu a'u seilio ar ragamcanion rhesymol.

Mae'r cyngor yn deall ffynonellau ei incwm a'r risgiau sy'n codi yn eu sgil, ac mae wedi adolygu ei ymagwedd at ffioedd a thaliadau er mwyn sicrhau ei fod yn cael gwerth am arian.

Mae prosesau cynllunio ariannol a chorfforaethol wedi'u hintegreiddio, yn cysylltu â threfniadau rheoli risgiau, ac yn cynnwys cynllunio strategol ar gyfer adnoddau eraill, gan gynnwys y rhaglen gyfalaf a chynllunio'r gweithlu.

Mae'r cyngor yn defnyddio modelu ariannol i asesu'r effeithiau tebygol ar gynlluniau ariannol a'r arbedion sy'n ofynnol ar gyfer gwahanol sefyllfaoedd, ac i'w helpu i sicrhau nad yw atebion tymor byr yn cael eu cyflawni ar draul cynaliadwyedd tymor hir.

Mae'r Cyngor yn modelu sbardunau gwariant allweddol (er enghraifft, newidiadau yn y boblogaeth a'r galw am wasanaethau), ffynonellau incwm (er enghraifft rhagolygon ar gyfer incwm a grantiau gan y llywodraeth), canlyniadau gofynion a balansau cyfalaf ac adnoddau.

Mae'r cyngor yn gweithredu o fewn lefel o gronfeydd wrth gefn a balansau (gan gynnwys cronfeydd wrth gefn sydd wedi'u neilltuo a balans y gronfa gyffredinol), a'r rhain wedi'u cymeradwyo gan yr aelodau ac yn briodol ar gyfer y risgiau strategol, gweithredol ac ariannol y mae'n eu hwynebu.

Os nad yw'r cyngor yn llwyddo i gyrraedd ei lefel darged ar gyfer balansau, mae camau wedi'u cynllunio i gywiro'r sefyllfa, gan ystyried unrhyw risgiau cysylltiedig i'r sefydliad o ran ei sefyllfa ariannol a chyflawni ei flaenoriaethau.

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### Prif nodweddion rheolaeth ariannol dda

Mae gan y cyngor bolisi rheoli cyllidebau priodol ac effeithiol sy'n nodi'n glir rolau, cyfrifoldebau ac atebolrwydd. Mae'r cynllun dirprwyo'n glir, a phrosesau wedi'u pennu i reoli tanwario a gorwario ar y gyllideb.

Mae'r monitro a'r rhagolygon ariannol yn addas at y diben ac wedi'u seilio ar groniadau. Mae hyn yn help i sicrhau cysylltiad clir rhwng y gyllideb, rhagolygon yn ystod y flwyddyn a'r sefyllfa ar ddiwedd y flwyddyn.

Mae'r cyngor yn dadansoddi ac yn allosod tueddiadau perthnasol, gan ystyried eu heffaith ar amcanestyniad yr alldro terfynol.

Mae'r cyngor yn gweithredu'n brydlon i fynd i'r afael ag unrhyw bwysau ar y gyllideb, er enghraifft, drwy gymryd camau cywir i reoli amrywiadau anffafriol neu drwy ailystyried blaenoriaethau corfforaethol.

Mae gan y cyngor hanes da'n ddiweddar o weithredu o fewn ei gyllideb heb orwario'n sylweddol.

Mae gan y cyngor bolisi clir y cytunwyd arno ynghylch defnyddio'i gronfeydd wrth gefn. Pennwyd isafswm clir a hwnnw wedi'i gyfiawnhau ar gyfer balans wrth gefn y 'gronfa gyffredinol'. Mae rhesymwaith clir i esbonio trosglwyddiadau o gronfeydd wrth gefn neu ryngddynt. Mae protocolau clir yn esbonio sut a pham y dylid defnyddio pob cronfa wrth gefn. Mae penderfyniadau ynghylch cronfeydd wrth gefn wedi'u seilio ar asesu'r risg a'r perfformiad cyfredol mewn ffordd gynhwysfawr.

Mae'r aelodau wedi cytuno ar y polisi cronfeydd wrth gefn ac mae'n destun craffu.

Mae gan y cyngor bolisi clir ar gynhyrchu incwm/codi taliadau. Mae cofrestr taliadau ar gael ar draws ei wasanaethau er mwyn helpu i reoli taliadau'n gyson. Mae gan y cyngor ganllawiau corfforaethol ar gyfer sut y dylid rhoi consesiynau ar waith. Mae taliadau'n cael eu hadolygu'n rheolaidd a'r polisi'n cael ei ddiweddarau.

Mae'r cyngor yn monitro'i gymarebau ariannol pwysig, yn eu meincnodi o'u cymharu â chyrff tebyg ac yn cymryd camau fel sy'n briodol.

Mae'r datganiad llywodraethu blynyddol yn adlewyrchu'r cyngor yn gywir.

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### Prif nodweddion llywodraethu ariannol da

Mae'r tîm arwain yn amlwg yn deall yr heriau a'r risgiau sylweddol sy'n wynebu'r sefydliad o ran trefniadau rheoli ariannol, a'r rheini'n newid yn gyflym , ac mae'n cymryd camau priodol i sicrhau sefyllfa ariannol sefydlog.

Mae gan y cyngor ddigon o gapasiti a gallu i hybu a sicrhau trefniadau rheoli ariannol da.

Mae'r tîm arwain yn meithrin amgylchedd lle mae dealltwriaeth dda ynghylch tybiaethau a pherfformiad ariannol a'r rheini'n cael eu herio'n rheolaidd. Gwelir diwylliant o dryloywder ynghylch y sefyllfa ariannol.

Mae'r tîm arwain yn craffu ar faterion ariannol ac yn eu herio'n adeiladol er mwyn sicrhau bod y trefniadau'n parhau'n gadarn ac yn addas at y diben.

Cyflwynir adroddiadau rheolaidd a thryloyw i'r aelodau. Mae'r adroddiadau'n cynnwys cynllunio ar gyfer gweithredu a dadansoddi amrywiadau.

Mae'r aelodau'n craffu ar y perfformiad ariannol ac yn ei herio'n effeithiol, gan ddal y swyddogion yn atebol.

Ymdrinnir ag argymhellion archwiliadau mewnol ac allanol yn effeithiol ac yn ddi-oed.

Gwelir ymgysylltu effeithiol â rhanddeiliaid ynghylch materion sy'n ymwneud â'r gyllideb, gan gynnwys ymgynghori â'r cyhoedd.

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**CYNGOR SIR POWYS COUNTY COUNCIL**

**AUDIT COMMITTEE**

**15<sup>th</sup> April 2016**

**REPORT AUTHOR: David Powell, Strategic Director – Resources**

**SUBJECT: WAO Report on Financial Resilience**

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**REPORT FOR: Information**

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**1.0 Introduction**

**1.1** The Council has been subject to an assessment by WAO on its Financial Resilience. The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

**1.2** Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:

- Helps councils take the right decisions for the short, medium and long term;
- Helps councils deliver services to meet statutory obligations and the needs of local communities;
- Is essential for good corporate governance;
- Is about managing performance and achieving strategic objectives as much as it is about managing money;
- Underpins service quality and improvement;
- Is the basis of accountability to stakeholders for the stewardship and use of resources; and
- Is a key management discipline.

**1.3** Long-term financial management is not about predicting the future; it is about preparing for it. Councils need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.

**1.4** Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.

**1.5** Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

**2.0 Background**

2.1 The work undertaken by WAO focused on answering the following question: **Is the Council managing budget reductions effectively to ensure financial resilience?**

Also considered within the report is whether:

- **Financial planning arrangements effectively support financial resilience;**
- **Financial control effectively supports financial resilience; and**
- **Financial governance effectively supports financial resilience.**

2.2 Given the continuing pressures on funding, WAO has considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). They have also considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching a view on the Council's financial resilience. Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

2.3 The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

### 3.0 Findings

3.2 Overall the report concludes that **the Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.** This conclusion is based on findings in relation to financial planning, financial control and financial governance arrangements. WAO rated the risk to the Council's delivery of its financial plan for each of these elements as follows: -

Financial planning	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.
Financial control	Medium risk	
Financial governance	Medium risk	

### 4.0 Financial Planning

4.1 **WAO overall assumption: *The Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning.***

3.2 The Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.

3.3 The Council continues to develop its strategic financial planning arrangements, taking an appropriate longer-term approach to forecasting changes to its budget.



This is achieved by means of its Financial Resource Model (FRM). By taking this approach the Council is better able to plan to meet the budget challenges that it faces.

- 3.4 Last year it was highlighted that the Council needed to be clear about how it would resource its identified corporate priorities, and be clear how it would ensure its corporate and strategic financial plans were sufficiently aligned. The Council acknowledged that its financial planning should begin earlier and the initial work for the 2015-16 budget began in May 2014.
- 3.5 Forward identification of savings proposals over a three-year period is a positive development, building greater awareness of future service changes and allowing a longer timeframe for planning.
- 3.6 The review of the arrangements in place and their implementation for the 2015-16 Budget identified that the Council's strategic financial plans and corporate change and improvement plans are developed in parallel and that each informs the other. The Council's future intent and work in progress including development of the cost improvement strategy, should lead to fuller integration and alignment of strategic planning arrangements, and enhance the Council's ability to progress towards achieving its vision and priorities.

## 5.0 **Financial Control**

- 5.1 **WAO overall assumption: *Whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective.***
- 5.2 The Finance team has reduced the time between monthly closure and budget reporting to 13 days by completing a lean systems review.
- 5.3 The Council has a clear framework for managing its financial affairs. The Financial Procedures Rules (FPRs) provide detailed guidance on various aspects of the process including delegation for financial controls.
- 5.4 The Council's budget monitoring arrangements are regular and comprehensive.
- 5.5 Financial and performance data are not reported together. The Council has recognised this as a weakness and is looking to establish a Business Intelligence Unit with the aim of better linking finance and performance data.
- 5.6 The Council achieved 80 per cent of the savings it identified for 2014-15 (delivering £14.02 million of savings from a required total of £17.58 million). The £3.56 million of unachieved savings were carried forward for delivery in 2015-16.
- 5.7 The Council improved its approach to monitoring savings delivered in 2014-15 by recording achievement against savings targets on a 'line by line' basis.
- 5.8 The Council recognises that further work is needed to optimise its income and deliver the Council's policy of full cost recovery as outlined in the Statement of Intent 2014-17.

## 6.0 **Financial Governance**

- 6.1 WAO overall assumption: *The Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance.***
- 6.2** The Council has made progress on the work started last year with the Centre for Public Scrutiny (CfPS) on strengthening financial resilience through scrutiny.
- 6.3** To help deliver on the recommendations of the Financial Scrutiny Panel (FSP), the Council has produced a three-year MTFs. It has held a workshop for Heads of Service to agree a revised approach to savings monitoring, and reviewed the corporate planning process to look at ways in which it can become more integrated with finance.
- 6.4** The Council has actively sought to increase Member involvement in the budget process.
- 6.5** Scrutiny and challenge happen internally at various stages, undertaken by both officer and member groups. In relation to savings proposals for the 2016-17 budget, the FSP put a series of questions to each Head of Service. This was conducted with rigour and the issues identified for actions appear appropriate.
- 6.6** The work undertaken by the FSP so far, building upon the support from external specialists, has enabled some positive benefits to be derived, although some arrangements are clearly developing and have yet to be fully embedded.

**7.0 Next Steps**

- 7.1** An Action Plan will be developed to respond to the areas of weakness identified within the report. This will be presented at the next available Audit Committee before the Action Plan is presented to Cabinet for approval.

**6.0 Statutory Officers**

- 6.1** The Strategic Director, Resources (S151 Officer) has made the following comment: "The report is welcomed and provides an opportunity to assess progress and apply learning in order to improve the council's financial resilience."
- 6.2** The Solicitor to the Council (Monitor Officer) has commented as follows: "I note the legal comment and have nothing to add to the report."

**7.0 Future Status of the Report**

- 7.1** Not applicable

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>The Audit Committee notes the attached WAO report and comments on its findings. In addition, Audit Committee will review the action plan when it is brought to the next meeting.</b>	<b>In order to ensure the Authority uses the issues raised in the WAO report to build its financial resilience.</b>

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y / N</b>	<b>Within Budget:</b>	<b>Y / N</b>

<b>Relevant Local Member(s):</b>	<b>Not Applicable</b>
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<b>Person(s) To Implement Decision:</b>	
<b>Date By When Decision To Be Implemented:</b>	

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Caroline Evans	01597826171		caroline.evans@powys.gov.uk

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



## 2016 Audit Plan

# Powys Pension Fund

**Audit year:** 2015-16

**Issued:** March 2016

**Document reference:** 271A2016

# Status of document

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This document has been prepared for the internal use of Powys Pension Fund as part of work performed/to be performed in accordance with statutory functions.

No responsibility is taken by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

This document has been prepared by Anthony Veale, Phil Pugh and Nadeem Ashraf

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# 2016 Audit Plan

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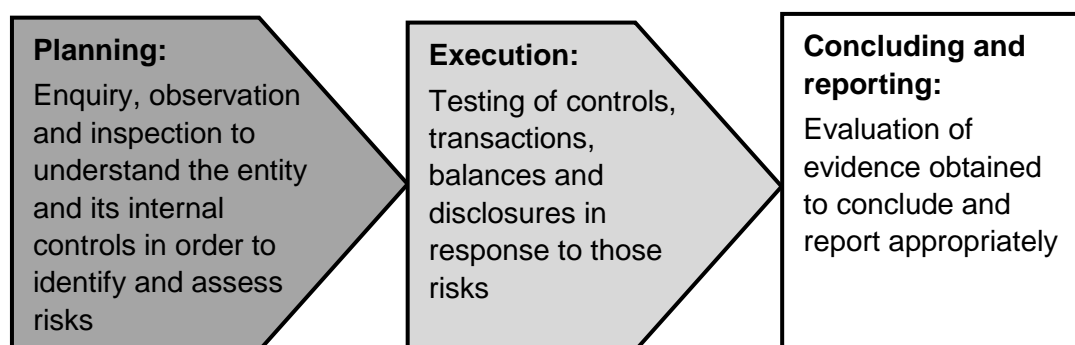
## Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Powys Pension Fund's (the Pension Fund) accounting statements are 'true and fair'.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Audit of Pension Fund accounts

5. It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.[Appendix 1](#) sets out my responsibilities in full.
6. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

### Exhibit 1: My audit approach





7. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2**, along with the work I intend to undertake to address them.

**Exhibit 2: Financial audit risks**

Financial audit risk	Proposed audit response
<p><b>Investment Managers</b></p> <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement.</p> <p>The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, e.g. valuation of the investment portfolio held.</p> <p>There is a risk that the internal controls reports will not be available for assurance purposes, and/or cover all our required audit assertions. This risk could increase when new investment managers are introduced during the year as is the case for 2015-16.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• assess the investment managers as a service organisation;</li> <li>• check that investments have been made in accordance with the Statement of Investment principles;</li> <li>• obtain direct confirmation from the investment managers and custodian of year-end investment balances and holdings; and</li> <li>• assess whether the investment manager's internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held.</li> </ul>
<p><b>Private Equity Investments</b></p> <p>Year-end valuations of private equity investments within the draft financial statements are based upon valuations received from investment fund managers as at 31 December as a reasonable estimate of the 31 March value.</p> <p>In addition, as there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• compare the investment valuations within the draft account to the actual valuations routinely received post production of the draft account, and where material differences in valuation arise, propose management amend the financial statements; and</li> <li>• seek additional assurance over the valuation basis from controls assurance reports where available.</li> </ul>
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>

8. I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. My aim is to identify

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material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee, as those charged with governance for Powys County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit. My reports will also be sent to the Pensions and Investment Committee for information.

9. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
10. My fees are based on the following assumptions:
  - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

## Pension Fund annual report

11. In addition to including the pension fund accounts in their main accounting statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
12. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
13. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

## Fee, audit team and timetable

### Fee

14. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
15. Your estimated fee for 2016 is set out in [Exhibit 3](#).

### Exhibit 3: Audit fee

Audit area	Proposed fee for 2016 (£)	Actual fee for 2015 (£)
Audit of pension fund accounts	34,741	34,741

16. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.
17. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: [www.audit.wales/about-us/fee-scales-and-fee-setting](http://www.audit.wales/about-us/fee-scales-and-fee-setting).

### Audit team

18. The main members of my team, together with their contact details, are summarised in Exhibit 4.

### Exhibit 4: My team

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Director and Financial Audit Lead	02920 320585	Anthony.Veale@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645	Phil.Pugh@audit.wales
Nadeem Ashraf	Financial Audit Team Leader	02920 320639	Nadeem.Ashraf@audit.wales

19. I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

### Timetable

20. I will provide reports, or other outputs as agreed, to the Pension and Investment Committee and Audit Committee, covering the areas of work identified in this document. My key milestones are set out in Exhibit 5.

### Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
<b>2016 Audit Plan</b>	January – March 2016	March 2016
<b>Financial accounts work:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	June – August 2016	September 2016

# Appendix 1

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## Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.



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## 2016 Audit Plan

# Powys County Council

**Audit year:** 2015-16

**Issued:** March 2016

**Document reference:** 266A2016

# Status of document

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# 2016 Audit Plan

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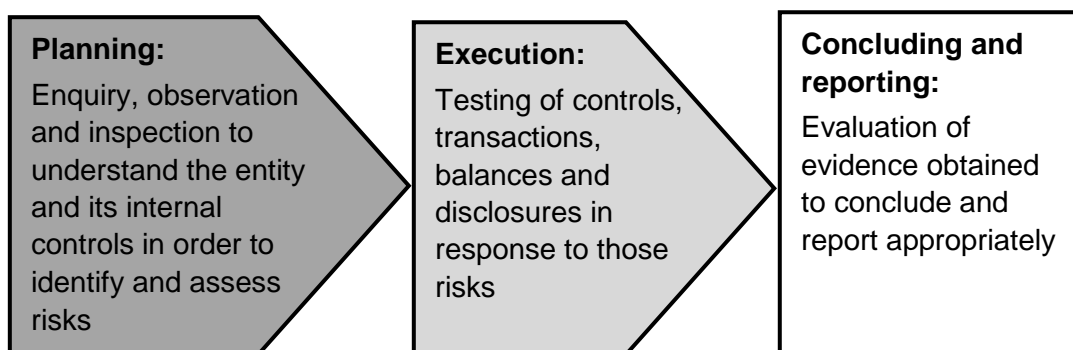
## Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are 'true and fair';
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

## Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness'.
6. I also consider whether or not Powys County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#), along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p><b>Minimum Revenue Provision (MRP)</b></p> <p>The Council has changed its Minimum Revenue Provision (MRP) policy for 2016-17. The Council is currently assessing whether this change will be applied retrospectively to the 2015-16 financial year.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the revised policy to ensure that a prudent provision has been made;</li> <li>• test the provision made to ensure it is in accordance with the revised policy; and</li> <li>• review the disclosures made in the accounts to ensure that the impact of the change is fully disclosed.</li> </ul>
<p><b>Transfer of Leisure Services</b></p> <p>On 1 July 2015, the Council outsourced the operation of its leisure services function to Freedom Leisure.</p> <p>There is a risk that:</p> <ul style="list-style-type: none"> <li>• income and expenditure relating to leisure services pre and post the transfer is not treated correctly within the financial statements of the Council; and</li> <li>• potential provisions or contingent liabilities relating to the pension guarantees of staff transferred to Freedom Leisure are not disclosed correctly within the financial statements.</li> </ul>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the accounting treatment of the transfer to Freedom Leisure;</li> <li>• confirm that any provisions/contingent liabilities relating to the transfer are properly disclosed; and</li> <li>• confirm that the income and expenditure relating to the Council has been correctly accounted for and disclosed within the financial statements pre and post transfer of the function.</li> </ul>
<p><b>Property, Plant and Equipment</b></p> <p>As reported in 2014-15, a significant number of errors were identified within the financial statements relating to property plant and</p>	<p>My audit team will undertake testing to ensure:</p> <ul style="list-style-type: none"> <li>• that any historic impairment costs have</li> </ul>

Financial audit risk	Proposed audit response
<p>equipment. These included:</p> <ul style="list-style-type: none"> <li>• the incorrect treatment of historic impairment costs;</li> <li>• capital expenditure being charged to revenue;</li> <li>• errors in the calculation of depreciation; and</li> <li>• differences between figures disclosed in the financial statements and the fixed asset system.</li> </ul> <p>There is a risk that errors of this nature could result in the financial statements being materially misstated.</p>	<p>been correctly treated;</p> <ul style="list-style-type: none"> <li>• no capital expenditure has been charged to revenue;</li> <li>• depreciation costs have been correctly calculated; and</li> <li>• differences between the fixed assets system and the financial statements have been properly reconciled and corrected.</li> </ul>
<p><b>Internal recharges</b></p> <p>The 2014-15 draft financial statements submitted for audit contained material errors within the Comprehensive Income and Expenditure Statement relating to internal recharges that should have been removed. This error was also identified during the 2013-14 audit.</p> <p>There is a risk that material internal recharges will be included in the 2015-16 financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the action taken by the Council to ensure that appropriate year-end procedures are in place and that all internal recharges are identified and excluded from the financial statements; and</li> <li>• substantively test a sample of income and expenditure transactions to support our audit assurance in respect of the treatment of internal recharges.</li> </ul>
<p><b>Trading Accounts</b></p> <p>Many of the internal recharges within the Council and its financial statements relate to services set up as Trading Operations and reported in Note 31 of the Financial Statements. These accounting arrangements seem to exist mainly as a consequence of historic management accounting requirements.</p> <p>As very few of the activities appear to generate any external charges, there is a risk that the trading accounts are not accounted for and disclosed in line with the requirements of Code of Practice on Local Authority Accounting (the Code) and that income and expenditure disclosed within them is not correctly recharged to relevant service areas.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review the nature of the current trading accounts and confirm that the accounting treatment and disclosure requirements are in line with the Code; and</li> <li>• confirm that income and expenditure is correctly recharged to the relevant service areas and included in the CI&amp;ES.</li> </ul>
<p><b>Housing Revenue Account</b></p> <p>A non-adjusting post balance sheet event was disclosed within the HRA account in 2014-15 relating to the authority exiting the HRA subsidy scheme and becoming self-</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• confirm the right amount of settlement has been paid as determined by Welsh Government;</li> <li>• ensure the loans to finance the buyout</li> </ul>

Financial audit risk	Proposed audit response
<p>financing. A settlement of £72 million was paid to Welsh Government in April 2015 which was funded via PWLB loans. There is a risk that this transfer and payment is not correctly accounted for and disclosed within the 2015-16 financial statements.</p>	<p>have been appropriately raised using Treasury Manager's advice; and</p> <ul style="list-style-type: none"> <li>review the accounting treatment and associated disclosures in the 2015-16 financial statement including the HRA account.</li> </ul>
<p><b>Items Material by Nature</b> The Council's 2015-16 financial statements will include a number of disclosures that are material by nature. These include the disclosure of Related Parties and Senior Officer's Remuneration.</p>	<p>We will review all notes and disclosures that are material by nature and will substantively test these to ensure that they are in line with the Code and all supporting documentation.</p>
<p><b>Management Override</b> The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>review accounting estimates for biases; and</li> <li>evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
12. My fees are based on the following assumptions:
  - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

- 
13. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

## Certification of grant claims and returns

14. I have been requested to undertake certification work on the Council's grant claims and returns. A total of 16 claims were audited in 2014-15 and I anticipate being required to audit between 13 to 16 claims in 2015-16.
15. An estimate of my fee for auditing the grant claims in 2015-16 and the cost of undertaking the grant claim work in 2014-15 are shown in **Exhibit 5**. I plan to issue a separate report setting out the key issues identified from my 2014-15 work in April 2016.

## Other work undertaken

16. In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of Rhayader Leisure Centre charity accounts. My team will undertake the audit of these accounts on my behalf in accordance with the timescales agreed with the Council and the Charity Commission.
17. My audit fee for this work is set out in **Exhibit 4** and at this stage assumes we will be undertaking an Independent Examination rather than a full audit. If a full audit is required there will be an additional fee for this work which we will discuss with the Strategic Director of Resources.

## Performance audit

18. The components of my performance audit work are shown in **Exhibit 3** and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy ([www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016](http://www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016)).

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Exhibit 3: Components of my performance audit work



19. Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the Minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
20. However, for 2016-17 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
21. In spring 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
  - providing assurance on the governance and stewardship of public money and assets;
  - offering insight on the extent to which resources are used wisely in meeting people's needs; and
  - identifying and promoting ways by which the provision of public services may be improved.
22. Taking all these factors into consideration, I am presently unable to be specific about my programme of performance audit work in local government. I am working through the practicalities of designing an appropriate programme of work, and examining the implications of the reduction in grant funding with a view to ensuring, as far as I am able, that there is little adverse impact on local authorities through fees.
23. As soon as practical, I will write to confirm my 2016-17 programme of work.
24. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

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## Fee, audit team and timetable

### Fee

25. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
26. Your estimated fee for 2016 is set out in **Exhibit 4**.

#### Exhibit 4: Audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Financial audit work <sup>1</sup>	207,830	207,830
Performance audit work: <sup>2</sup>	99,323	99,323
<b>Total fee</b>	<b>307,153</b>	<b>307,153</b>
Performance (Further assurance work in lieu of Corporate assessment)	0 <sup>3</sup>	0
Grant certification work <sup>5</sup>	70,000 to 80,000	82,106
Other financial audit work <sup>4</sup>	1,503	3,688

#### Notes:

<sup>1</sup> Payable November 2015 to October 2016.

<sup>2</sup> Payable April 2016 to March 2017.

<sup>3</sup> Funded by WPI Grant.

<sup>4</sup> Charity Independent Examination (Rhayader Leisure Centre 2014-15 & 2015-16 and Welsh Church Act Fund 2014-15 only)

<sup>5</sup> Payable as work is undertaken. The 2014-15 costs are an estimate as some claims are still to be finalised. Similarly, the 2015-16 fees are indicative based on the number of claims we anticipate will be required to be audited.

27. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

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<sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you.



28. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: [www.audit.wales/about-us/fee-scales-and-fee-setting](http://www.audit.wales/about-us/fee-scales-and-fee-setting).

## Audit team

29. The main members of my team, together with their contact details, are summarised in Exhibit 5.

### Exhibit 5: My team

Name	Role	Contact number	E-mail address
Anthony Veale	Financial Audit Lead and Engagement Director	02920 320585	Anthony.Veale@audit.wales
Jane Holownia	Engagement Lead – Performance Audit	02920 320565	Jane.Holownia@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645	Phil.Pugh@audit.wales
Nadeem Ashraf	Financial Audit Team Leader	02920 320639	Nadeem.Ashraf@audit.wales
Colin Davies	Performance Audit Manager	07786 800258	Colin.Davies@audit.wales
Justine Morgan	Performance Audit Lead	07799 476570	Justine.Morgan@audit.wales

30. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

## Timetable

31. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in Exhibit 6.

### Exhibit 6: Timetable

Planned output	Work undertaken	Report finalised
<b>2016 Audit Plan</b>	January – March 2016	March 2016
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> <li>Financial Accounts Memorandum</li> </ul>	April – September 2016	September 2016 September 2016 November 2016

Planned output	Work undertaken	Report finalised
<b>Performance work:</b> I am presently unable to be specific about my programme of performance audit work in local government	April 2016 to March 2017	As soon as practical, I will write to confirm my 2016-17 programme of work
<b>2017 Audit Plan</b>	January – March 2017	March 2017

\* Subject to timely clearance of draft findings with the Council.

## Future developments to my audit work

32. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
33. As referred to in [paragraph 21](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
34. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

# Appendix 1

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## Respective responsibilities

### Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

- 
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

## Appendix 2

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Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Annual Improvement Report (AIR)	In progress	Due April 2016

# Appendix 3

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## National value-for-money studies

Powys County Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	January 2016
The development of Natural Resources Wales	February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016

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Topic	Anticipated publication timeframe
Public procurement (including development of the National Procurement Service)	Winter 2016
Early intervention and behaviour change	Spring/summer 2017 <sup>2</sup>
Welsh Government interventions in local government	TBC <sup>3</sup>

I have been considering over recent months the inclusion in my programme of a number of new studies on:

- The NHS Wales Informatics Service
- Capital investment in schools (21st Century schools programme) and school places
- Further education finances
- Waste management
- The Supporting People programme
- Access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

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<sup>2</sup> My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

<sup>3</sup> Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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## CYNGOR SIR POWYS COUNTY COUNCIL.

### CABINET REPORT 23 February 2016

**REPORT AUTHOR:** County Councillor Stephen Hayes  
Portfolio Holder for Adult Services

County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Wales Audit Office Report: Review of the Letting of a Domiciliary Care Contract to Alpha Home Care Support Limited and Improvement Plan Incorporating a Review of Learning

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**REPORT FOR:** DECISION

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#### **Summary**

In March 2014, the Council awarded contracts to four domiciliary care providers following a competitive tender: two in the north of the county, and two in the south of Powys. Implementation of three of the awarded contracts proved challenging, resulting in the mutual termination of two contracts, and the termination of Alpha Home Care Support Service Limited's contract.

In late 2014, Alpha Home Care Support Services Limited advised the Authority that the company was in serious financial difficulties. In order to ensure continuity of care to its vulnerable elderly clients, the County Council put in place arrangements to support Alpha Home Care Support Services Limited. However, despite attempts to support the organisation improve its financial viability, the contract was terminated following a significant deterioration of performance, and a view that Alpha Home Care Support Services Limited was no longer financially viable.

The Wales Audit Office (WAO) published a Review of Powys County Council's letting of the domiciliary care contract to Alpha Home Care Support Services Limited in January 2016. The WAO's findings describe how the Domiciliary Care Framework was procured in January 2014, together with their judgement on how tenders were evaluated and to a lesser extent details a number of actions undertaken by Powys County Council to try and support Alpha Home Care Support Services Limited to continue to deliver the appointed contract. As such, the Review describes how tenders (in early 2014) were evaluated, rather than on how tenders are currently assessed as a result of our earlier learning and subsequent changes to the process

A specific action plan has been prepared in response to the WAO recommendations and is included in Appendix A of this paper.

### **Summary of Review Recommendations:**

The WAO Review was carried out during the final quarter of 2015 and interviews were undertaken within the council, in addition to a comprehensive desktop analysis of Powys County Council records and electronic procurement systems.

The WAO report issued Powys County Council with three recommendations that relate to Adult Social Care and wider Council services. In delivering the three recommendations, WAO recommend that the County Council also pay particular attention to ensuring that the governance arrangements for developing, scrutinising and approving of future contracting exercises in line with agreed strategic objectives.

### **Domiciliary care provision**

1. The Authority should ensure that any weaknesses and/or deficiencies in the arrangements identified in letting the domiciliary care framework are not replicated in any future domiciliary care procurement exercise.

These include deficiencies in:

- governance and accountability;
- the way the contract was structured;
- information made available to tenderers; and
- the way in which tenders were evaluated.

### **Wider implications for the Authority**

2. In order to meet the challenges of transforming its service delivery in the light of reduced financial resources and increasing demand, the County Council has a clearly defined commissioning and procurement strategy.

### **Document retention**

3. The County Council also consider the extent to which adequate documentation is produced and retained to support key decisions made when developing and letting tenders.

The Senior Management Team accept the recommendations contained within the WAO report and will take these forward as a corporate issue within the overall improvement agenda. In response to WAO recommendations a detailed action plan and progress report is included in Appendix A of this paper. Delivery of this action plan will be reported through to Management Team and monitored through the Commissioning and Procurement Board. Oversight and scrutiny will be undertaken through both the Audit Committee and the People Scrutiny Committee - Adult Social Care Working Group which is welcomed. Reporting will be incorporated into the existing arrangements to ensure oversight where there is specific cross over with Adult Social Care exiting improvement activity. As evidenced in the action plan, good progress has already been made on delivering the recommendations included in the report.

### **Response to the Welsh Audit Office reports content and recommendations**

The WAO Review was the third review undertaken on the County Council's procurement of domiciliary care at the start of 2014. Ahead of WAO's review, Adult Social Care, and Commercial Services have already made significant changes around corporate commissioning and tender evaluation processes following lessons learned within earlier reviews undertaken by IPC Brookes University, and CSSIW of domiciliary care service commissioning undertaken last year.

The WAO Review is an important addition to the other two reviews/inspections because it focuses primarily on lessons identified to improve governance and accountability, data management and how data is analysed and communicated within tenders, and record management.

The following sections give commentary on the findings made by WAO in their report, and the response from Adult Social Care to these judgements.

**i. Governance**

The report recognised the need to strengthen Governance and arrangements. Under the Leadership of the Health and Adult Social Care Integrated Leadership Board, thematic partnership boards have been established and considerable work is underway for older people, carers, those with a learning/physical disability and mental health issues. As highlighted to the September 2015 Cabinet in relation to the CSSIW Inspection Report of Adult Social Care, it is important to note that this governance was introduced following a joint assessment of the partnership working led by the Director of Social Services and the Director of Nursing [PTHB] as there was no existing strategic mechanism in place for the joint strategic planning of services. The partnership and governance arrangements were subsequently agreed by both CEO's and portfolio holders in December 2013.

The Integrated Care Pathway Board for Older People is overseeing and managing the development of domiciliary care market across the county, and has already successfully implemented many of the requirements outlined within both the earlier CSSIW Report and Oxford Brookes University's (IPC) independent review of the domiciliary care tenders. Here, it should also be noted that Adult Social Care are continuing to work closely with Oxford Brookes University to develop long-term commissioning and market development proposals to secure high quality, personalised home care support services in the future. Delivery of all domiciliary care change is overseen by a multi-agency Domiciliary Care Board Chaired by the Head of Adult Social Care.

A further review of governance is currently underway to ensure our readiness for the implementation of Part 9 of the Social Services Wellbeing (Wales) Act 2014 and to ensure effective cabinet oversight and accountability on the integration's intentions that were set out in the report agreed by the Council's cabinet on 15/12/15

**ii Contract Development**

The review highlighted a need to improve the way contracts are constructed to support future sustainable delivery. A Domiciliary Care Provider Forum was developed in summer 2015, and this has resulted in greater levels of joint working between the Council and providers. The Forum was the first of a range of new thematic forums to be developed to help deliver the transformational change required across social care market. Since the forum was developed, an additional Residential Care provider forum has been developed, and a further forum for Disability Service providers will be established shortly. Together with increased public consultation, work undertaken through the new forums will improve the appropriateness and sustainability of contracts tendered.

**iii Ambiguities within the Invitation to Tender (ITT)**

A Corporate Commissioning Toolkit and Checklist has been developed and is available to all commissioning and procurement staff providing easy accessible information and guidance. The toolkit gives staff a better understanding of the commissioning process and design of future services. Work is already underway between Commercial Services, Business Services, and Adult Social Care to improve the quality and availability of data included within Invitation to Tenders. The commissioning toolkit is under revision to improve advice and guidance to commissioners on how to ensure future ITTs display best practice within their production.

In continuing to improve the commissioning skills of staff, in addition to the 78 staff who have already completed the Commissioning ELearning Course, 36 lead commissioning staff have completed commissioning training delivered by the Institute of Public Care across the council, with 36 members of staff going on to complete a Post Graduate Certificate in Commissioning. All of this work will underpin improvements of future ITTs.

**iv. Tender Evaluation**

The Review also identified an inability to evidence that the evaluation of tenders had been undertaken in line with corporate tender processes. Work has been undertaken by Commercial Services to improve the operation of the council's electronic tendering portal 'Bravo'. The review identified a weakness within the electronic portal that meant that whilst officers were able to undertake all evaluation in line with corporate processes, the system did not automatically require each individual stage of the evaluation to be separately recorded. This issue has now been addressed, and new Guidance on how to record evaluation processes on Bravo has been issued for use in all future tenders.

**v. Wider Implications for the Authority**

The key points in the WAO report offer wider learning for the council. There is evidence that lessons have been learnt following the

procurement of domiciliary care services in 2014 as part of the commissioning authority approach. For example a number of integrated, thematic commissioning strategies have either already been developed, or are in the final stages of development. Each of these strategies include details of our commissioning intentions over the next five years, and will be supported by associated Market Development statements to ensure markets are supported to change and to continue to deliver services that meet the needs of residents.

The report underlines the importance of investing in capacity and capability to deliver major projects. At the time of the tendering exercise the council had limited corporate procurement capacity that was also dealing with other contract tendering exercises. In 2014 agreement was reached to establish a Commercial Services unit to support directorate commissioning and contracting plans. The team is developing in-house expertise by developing existing staff who have joined the unit. It is appropriate that a review of their progress is now commissioned to assess capacity and capability to deliver the challenging work programme.

Improvement in planning for major procurement events is an area highlighted by the WAO report. The 2016/17 Medium Term Financial Strategy (MTFS) will have a balanced three year financial plan. In order to deliver three year financial balance a number of significant transformation or re-procurement events will need to be delivered. The 2015/16 budget included funding to support project delivery and has already been accessed by the Education Service to support schools transformation. Even so, any major piece of work must assess whether capacity and capability exists to deliver the required output.

Oversight of major projects has been brought into the corporate arena through an increasing level of oversight and challenge from the Commissioning and Procurement Board. The Board now receives a forward plan and whilst this is still in development it is a feature of the approach being taken by the Board that is chaired by a Deputy Leader. The Board will also seek assurance that effective tender evaluation has taken place. The forward plan is an important link to the delivery of the MTFS.

Underpinning any significant process is the need for sound information and good analytical skills. The WAO report points to a lack of sound information when noting the range of hourly rates but this lesson has wider application. Currently the Council is developing a Business Information approach and has redefined the work of the performance team. However the level of demand for data analysis may require corporate investment in this area.

Raising corporate awareness of all significant projects will assist deployment of resource. The council will need to take steps to ensure this overall view is maintained and as a result the Head of Professional

Services and Commissioning will take a lead in providing this oversight. This will not conflict with or undermine the accountability of other Heads of Service who lead on commissioning in their directorates but will raise corporate awareness of the overall position and the consequent assessment of resource allocation.

There is a link between the WAO report and risk management. Since the tendering exercise the council now has a Risk Management and Business Continuity Officer in post. The council now has an effective corporate risk register that forms part of the annual budget and MTFS. The Audit and Governance Committee receives an update on the risk register at each meeting. In addition the Leader has taken on the portfolio of Risk Management.

A new impact assessment process is now in place that will be used to assess the wider impact of changes. For the 2016/17 budget and MTFS the Strategic Integrated Impact Assessment is being used for the first time and pulls together the impact of new legislative requirements as well as the operational impact of decisions. The full suite of documents is shared with all councillors. It is important this framework is used by all managers to support service change.

Overall there is evidence that improved Governance and Scrutiny arrangements have been put in place to deliver strategic commissioning plans, and to increase effectiveness around future commissioning activity. There is evidence that the knowledge and skills of commissioning and procurement staff continues to increase, and there is now a lower dependence on external commissioning support. In summary there has also been improvements around information management, with Business Services, Commercial Services, and Commissioning Managers working together to ensure completeness of data is achieved ahead of any future tenders, including robust trend and option analysis.

#### **vi Document Retention**

The County Council is currently in the process of commissioning a new social care database (CCIS) to replace its current Draig system. Ahead of this change, existing records are being reviewed, and where appropriate, scanned copies of records and correspondence are being attached to electronic files. This will both improve document retention, and promote improved access to documents to people who need them. Commissioning and Contract managers are also working with Commercial Services to ensure all appropriate contract and provider records are attached to the electronic tendering portal BRAVO. Workshops are also planned for February across Adult Social Care driving forward the importance and value of effective document retention. A workshop is being planned for the Adult Social Care Senior Management Team, Commissioning and Contracts Team, Commercial Services, IT and Finance section to plan how the process for documentation retention may be improved.

### **Summary of progress and learning to date**

The WAO Review complements and adds value to an earlier review and inspection regarding the procurement of domiciliary care service in Powys undertaken by:

- Oxford Brookes University's Institute of Public Care (IPC), jointly commissioned by the Authority and the Social Services Improvement Agency for Wales in August 2014 with the findings presented to the cabinet on 6 January 2015 concluding with a detailed improvement plan submitted to cabinet on 6 March 2015; and
- CSSIW published an inspection report on Adult Social Care within Powys County Council on 10<sup>th</sup> August 2015 which was accepted by cabinet along with an improvement plan on the 12 September 2015.

Both of these improvement plans have been subject to robust reporting and accountability arrangements. The IPC improvement plan has been taken forward through a corporate task and finish group with accountability through the Council's Management Team and reporting through the cabinet led Commissioning and Procurement Board. The CSSIW improvement plan has been subject to the service reporting progress through to the Strategic Director - People and the Portfolio Holder for Adult Social Care. The oversight of the Adult Social Care Scrutiny Group has also been important and valued; this was requested by the cabinet in order to provide assurance on progress.

Together with the other reviews there is now a considerable body of information to support improvement and as described above considerable activity has been undertaken across both the service and the wider Council. There is now evidence of improvement in the way services are now commissioned and tenders evaluated; however the Council will not be complacent. To date Adult Social Care have fundamentally restructured their Commissioning and Contracts team and appointed a Strategic Commissioning Manager to oversee all future service commissioning. Commercial Services have also remodelled all tender evaluation processes to ensure robust analysis is undertaken and this has been done in partnership with finance..

Together, Adult Social Care and Commercial Services have addressed the recommendations issued as part of Institute of Public Care (IPC) report on domiciliary care in Powys commissioned by the Council in partnership with the Social Services Improvement Agency (SSIA) in August 2014. The majority of the recommendations included in this report have now been delivered and have been embedded within the Council's commissioning processes.

In August 2015, the Care and Social Services Inspectorate Wales (CSSIW) published a report focusing on their inspection of Adult Social Care (between March and May 2015) and issued twelve recommendations. The report indicates good progress has been achieved in delivering recommendations

within the earlier CSSIW inspection report and monitoring of this action plan is conducted at regular intervals by Scrutiny.

A 'Lessons Learnt' document has been developed please see Appendix B for more detail in respect of this.

### **One Powys Plan**

The development of sustainable domiciliary care markets, and contracts providing high quality consistency domiciliary care is consistent with the aims and aspirations of the one plan as we seek to maximise the independence of our customer and support people to live independently in their own homes.

### **Options considered**

This paper outlines Adult Social Care's response to the recently published WAO Review, and invites cabinet to receive the detailed action plan in relation to the report's recommendations.

### **Preferred Choice and Reasons**

N/A

### **Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc**

Domiciliary care, and all tendered services are delivered by providers interacting with customers through their preferred language (either Welsh or English). There is a statutory requirement placed on the Council to provide good quality domiciliary care services for the individuals assessed as needing support and who reside in Powys.

### **Children and Young People's Impact Statement - Safeguarding and Wellbeing**

Whilst the WAO review is in relation to domiciliary care delivered to adults, the wider findings and implications are applicable to Children and Young People services.

### **Local Member(s)**

The decision of the development of future models of domiciliary care services applies to all electoral divisions in Powys.

### **Other Front Line Services**

All support services are involved in providing support to Social Services and continue to be involved regularly.

### **Support Services (Legal, Finance, Corporate Property, HR, ICT, BPU)**

Comments from:

Legal: The recommendations, response and delivery plan can be supported from a legal point of view.

Finance: The Finance Business Partner notes the comments made in the report and can confirm that the Finance Manager, Operations has worked in



partnership with Commercial Services to remodel all tender evaluation processes to ensure robust analysis is undertaken.

Corporate Property – no comment.

HR – no comment.

ICT – no comment.

Business Services – no comment.

### **Local Service Board/Partnerships/Stakeholders etc**

(Describe whether the Proposal has implications for or needs the involvement of the LSB, a partner body/organisation or stakeholders and, if so, set out their views and those of the relevant Portfolio Holders)

### **Corporate Communications**

The report is of public interest and requires use of news release and social media to publicise the recommendation.

### **Statutory Officers**

The Solicitor to the Council (Monitoring Officer) has commented as follows: “I note the legal comment and have nothing to add to the report.”

The Strategic Director Resources (Section 151 Officer) notes the comments made by Finance. In addition it is important that the authority learns from the lessons identified in the WAO report and applies the learning to future commissioning activity. The report and the action plan note the requirement to resource change activity in order deliver successful outcomes. It is appropriate that the authority’s financial plans include funding for this requirement.

### **Members’ Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>1. That cabinet accept the WAO report, the recommendations of the WAO report and the responses included within this paper.</b>	<b>In order to contribute to the organisations ongoing learning and compliments earlier learning from the CSSIW report.</b>
<b>2. That Cabinet accepts the enclosed improvement plan in relation to the WAO recommendations as at Appendix A</b>	<b>To ensure that the recommendations contained within the report are translated into cross council improvements and service delivery.</b>

3. That Cabinet endorse the 'learning document' as at Appendix B	To ensure both service and corporate improvements are made to mitigate against the likelihood of any such further significant difficulties
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Relevant Policy (ies):			
Within Policy:	Yes	Within Budget:	Yes

Relevant Local Member(s):	All
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Person(s) To Implement Decision:	David Powell, Strategic Director – Resources. Jeremy Patterson - CEO Amanda Lewis, Strategic Director - People.
Date By When Decision To Be Implemented:	


Contact Officer Name:	Tel:	Fax:	Email:
Lee Anderson	01597 826849	01597826243	lee.anderson1@powys.gov.uk

**Background Papers used to prepare Report:**

Review of the Letting of a Domiciliary Care contract to Alpha Care Limited

**Powys County Council, Adult Social Care Action plan Wales Audit Office Report regarding Domiciliary Contract Letting to Alpha Care**

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WAO Recommendation							
<p>1. The Authority should ensure that the weaknesses and / or deficiencies in the arrangements established to let the current domiciliary care contract are not replicated in any future domiciliary care procurement exercise. These include deficiencies in:</p> <ul style="list-style-type: none"> <li>• Governance and accountability</li> <li>• The way the contract was structured</li> <li>• Information made available to tenderers; and</li> <li>• The way in which tenders were evaluated</li> </ul>							
PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)							
<p>Much of this work is already underway following completion of the earlier CSSIW Action Plan. To aid coordination of required actions, a number of actions from the CSSIW Action Plan are also included below for completeness. The Local Authority is committed to strong and effective commissioning arrangements, and has worked to ensure that all staff involved in the development of commissioning initiative, contracts, and tender evaluation are appropriately trained and follow corporate protocol. This includes agreement and adherence to clear governance arrangements for both the strategic planning of health and adult social care services under the umbrella of the Health and Adult Social Care Leadership Board and the commissioning / tender evaluation requirements that result from this strategic planning.</p> <p>As the Council progresses its journey as a 'commissioning council' we have established the Cabinet led Commissioning and Procurement board in order to ensure oversight of commissioning and procurement activity across the council as a whole.</p>							
 <p>CSSIW final action plan December 2015</p>							
Response Owner				Response Ref:			
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
1.1	All future commissioning	Governance and	June 2015	Embed in	Joy Garfitt		

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	activity is aligned to Health and Adult Social Care Integrated Leadership Programme (HASCILB) and / or Adult Social Care Service Improvement Plan	Accountability structures will be agreed and communicated ahead of the start of all commissioning activity.		business as usual			
1.2	Governance for commissioning activity is directed through the respective partnership board to HASCLIB and onto PCC Cabinet and PTHB Board.	Ongoing monitoring and scrutiny of commissioning activity will be assured at appropriate levels within PCC and PtHB	June 2015	Embed in business as usual	Joy Garfitt		
1.3	PCC's existing Commissioning Toolkit will be enhanced through development of guidance around contract development, including consideration of contract size and value respective to market conditions / capacity	Future contracts size and values will be aligned to market requirements / provider capacity	February 2016	March 2016	Gail Jones		
1.4	Governance arrangements to include scrutiny of adherence to Corporate project management processes	Project Initiation Document to include governance agreed at thematic boards and HASCILB	February 2016	Embed in business as usual	Joy Garfitt		
1.5	PCC's existing Commissioning Toolkit will be enhanced through development of guidance around the development of	Improved quality of information provided to Tenderers	February 2016	March 2016	Gail Jones		

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	ITT's						
1.6	Revise guidance for tender evaluation, and recording of evaluation undertaken on BRAVO	Improved tender evaluation, and evaluation recording	February 2016	March 2016	Gail Jones		
1.7	Commission support from IPC to identify best practice, and to recommend future domiciliary care commissioning model	Best practice model developed. Market Position Statement produced. Recommendations identified for future procurement method	Nov 2015	March 2016	Joy Garfitt		
1.8	Workshop to be held with all commissioning and procurement managers around tender evaluation	Improved understanding and tender evaluation skills	Feb 2016	Embed in business as usual	Gail Jones		
PI Ref:	<b>Measure of Success</b> - These measures will be monitored through the Council's Quarterly Business Meeting (comprising of the Portfolio Member, Scrutiny Lead (observing role), Director of Social Services.		Baseline 2015/16	2016/17	2017/18		
	The rate of delayed transfer of care for social care reasons per 1,000 population aged 75 or over						
	Re-ablement clients complete a period of re-ablement (where outcomes have been achieved)						
	Number of tenders successfully let with no issue identified during contract initiation period.						
	Provider Forum feedback on quality of ITT's						
	Provider Forum feedback on quality appropriateness of contract size(s) commissioned						
	Reduction in missed domiciliary care calls						

WAO Recommendation							
<p>2. In order to meet the challenges of transforming its service delivery in the light of reduced financial resources and increasing demand, the Authority has adopted a clearly defined commissioning and procurement strategy.</p> <p>We recommend that the Authority consider whether the issues raised in this report have wider relevance for the successful delivery of its commissioning and procurement strategy, and undertake a review of its processes for developing and letting major contracts. Particular attention should be paid to ensuring that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working in practice.</p>							
PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)							
<p>A suite of integrated commissioning strategies are being developed in partnership between PCC and PtHB. The Learning Disabilities, Substance Misuse, and Carers' commissioning Strategies are all agreed, and works on the Older Peoples, Assistive Technology, and PDSL Strategies are all advanced.</p> <p>The requirement to develop sustained market development to deliver the commissioning intentions within each of these strategies has also led to the establishment of thematic provider / engagement forums. This is already realising benefits of developing greater social capital and partnerships between the Council and partners. Care Forum Wales are an active member of appropriate forums and continue to work closely with the Council to facilitate market development.</p>							
Response Owner		Response Ref:					
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
2.1	Resourcing change capacity is required. This covers managerial and leadership capacity and corporate capacity and	Capacity and capability to ensure effective delivery with minimum disruption to 'business as usual' services.	01/02/16	30/4/16	David Powell	MTFS to reflect this in spend to save and contingency budgets	

	capability for legal, HR, finance and IT. Governance processes are adequately supported. This needs to be reflected in financial plans.						
2.2	Commissioning & Procurement Strategy – Review and Update	To ensure that the Council’s current strategic intent is reflected	01/02/16	31/5/16	Gail Jones		
2.3	Ensure overall co-ordination of commissioning activity in the Council through the Head of Professional Services and Commissioning taking a lead role in the Head of Service group for this area	Better awareness of the linkages between activities and support for the resourcing requirements	01/02/16	30/3/16	Jason Lewis	Role has been discussed with post holder	
2.4	Increase capacity to support transformation and co-ordinate commissioning at a corporate level. The 2016/17 budget includes funding for a new post of Professional Lead of Transformation and Commissioning	The links between commissioning and transformation will be strengthened to deliver the balanced MTFS savings. A strengthening of the corporate capacity will help co-ordinate the programme management capacity	08/02/16	31/5/16	Jason Lewis	Built into budget from April 2016	
2.5	Processes for developing major contracts – Alignment of programme office Project/Gateway process for major projects	All relevant services are aware and/or involved in the commissioning and /or procurement of major contracts	08/02/16	31/3/16	Andrew Durant/Gail Jones		

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2.6	<p>Define 'major contracts';                  Establish criteria eg                  Length of contract                  Value                  Risk to citizens                  For Sign off by C&amp;P Board</p>	<p>A consistent corporate understanding of what constitutes a major contract. This will enable appropriate resource allocation</p>	08/02/16	31/3/16	Jason Lewis/Gail Jones		
2.7	<p>Processes for letting major contracts                  Awareness raising/training for relevant staff regarding required information for specifications and Invitations to Tender                    Enhanced evaluator training and guidance before each procurement event</p>	<p>All relevant staff understand the necessity for quality data, timescales, diligence etc                    To ensure that evaluators understand their role in awarding public money to a 3<sup>rd</sup> party and in protecting the Council from risk</p>	08/02/16	30/6//16	Gail Jones		
2.8	<p>Governance arrangements:                  Enhance the role of the C&amp;P Board to include sign – off for major commissioning and procurement activity                    Projects sponsors/ HOS to</p>	<p>To ensure that the appropriate balance of input is gained for each project to ensure that it is delivered in time, within the financial envelope and with the minimum of risk. Increased accountability and transparency for the delivery of contract related activity</p>	08/02/16	31/12/16	Jason Lewis	On-going but end date reflects reporting back process	



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	<p>report to C&amp;P Board on progress of major commissioning and procurement events</p> <p>Professional Services to be integral to commissioning and/or procurement projects that may result in the procurement of major contracts. This will provide oversight and a consistent approach.</p>						
2.9	<p>Scrutiny - C&amp;P Board has oversight of all planned major procurement events and progress against them</p> <p>The scrutiny committees' work programmes will be reviewed to ensure appropriate reviews are in place for major activities</p>	<p>To ensure awareness and challenge of progress against the delivery of key projects. It is critical that enough time and resource is allocated to deliver the required outcome and minimise contract extension requirements</p>	08/02/16	31/12/16	<p>Jason Lewis</p> <p>Wynne Richards</p>		
2.10	<p>Effective review processes for contracting and commissioning activity:</p> <p>Review on completion of each major contract and commissioning exercise.</p> <p>Production of closure report and handover to service area</p>	<p>To ensure not only learning but that services consistently deliver good procurement and commissioning. By establishing what went well and what didn't during a particular activity lessons can be learned and shared for use with</p>	08/02/16	30/6/16	Gail Jones		

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	for contract monitoring. Regular reporting to C&P Board	subsequent exercises					
2.11	Funding to be in place so that decision making is supported by data and appropriate analysis. Permanent base budget funding for the Business Intelligence Unit is required	To ensure all contract related activity is based on sound data	08/02/16		David Powell	Built in to MTFS as a permanent change from 17/18. Current posts funded from Management of Change	
2.12	A review of the finance function will take place to look at capacity and capability to meet the transformation agenda required by the three year balance MTFS	An ability to meet the requirement for management accounting data and support decision making through appropriate financial information	08/02/16	30/4/16	David Powell/Jason Lewis	Review commissioned for S151 Officer	
2.13	An assessment of the Commercial Services capacity and capability to help support the transformation agenda required by the three year balance MTFS	An ability to meet the requirement for commercial advice and support decision making through appropriate advice and challenge	08/02/16	31/5/16	Jason Lewis/Gail Jones		
2.14	Market Development capacity is needed to meet the requirements of the contract packaging or the service specifications. We need to work with providers and markets to develop service provision. This is a	Access to this expertise and the ability to deploy it at the start of the commissioning cycle will improve likelihood of success	08/02/16	30/4/16	Jason Lewis/Gail Jones		

	different skill to procurement or purchasing and requires expertise. An assessment of our ability is needed and a resourcing plan. A report will go to the C&P Board				
PI Ref:	<b>Measure of Success</b> - These measures will be monitored through the Council's Quarterly Business Meeting (comprising of the Portfolio Member, Scrutiny Lead (observing role), Director of Social Services.	Base Line 2015/16	Target 2016/17	Target 2017/18	

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WAO Recommendation

3. Audit work undertaken previously by the Auditor General in 2010 and 2014 on the Authority’s whistleblowing policies identified that ‘there was often a lack of an audit trail to support key decisions and events. Some key decisions were not documented and there were instances of key documents or supporting information not being found or not existing.’

Similar issues are identified in this report. The review recommended about should also consider the extent to which adequate documentation is produced and retained to support key decisions made when developing and letting tenders.

PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)

The WAO report highlighted a series of risks around document management.

As a service we are aware of the challenges of maintaining appropriate records and approval of all change initiatives during the ongoing high level of change required across all public services. The service is currently working to identify opportunities to standardise record management processes through greater use of technology and appropriate software packages.

Response Owner			Response Ref:				
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
3.1	Review existing ‘un-structured data’ held in personal and shared drives for social care.	Improved management of critical data that sits outside the core DRAIG system.	March 2016	June 2016	Andrew Durant	Improving Information Governance, including data owners and data management around information that sits outside the core system	
3.2	Implement WCCIS reducing external data sources e.g. spreadsheets	WCCIS is the main social care repository. Remove the need to hold	Currently running	Dec 2016	Caroline Pears	Implementation of the National WCCIS will	

		operational data outside the system.				consolidate information	
3.3	Implement corporate share-point and improve document storage capability	Improved Information Governance for non WCCIS social care data e.g. policies etc.	Mar 2016	Components in place Q1 2016/17. Social care operational Q3 2016/17	Andrew Durant	Share-point is part of improving the corporate set of systems.	
3.4	Implement a modern up to date Finance system that integrates to WCCIS	Joined up financial information and processes removing the need for manual integration	April 2016	Mar 2017	Jason Lewis	Discussions have commenced with potential providers	
PI Ref:	<b>Measure of Success</b> - These measures will be monitored through the Council's Quarterly Business Meeting (comprising of the Portfolio Member, Scrutiny Lead (observing role), Director of Social Services.		Target 2015/16	Target 2016/17	Target 2017/18		

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Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol

## Learning Document – Adult Social Care

January 2016

Powys County Council's Adult Services department received inspections by CSSIW in 2011, 2013 and 2015 which have all highlighted the need to transform and sustain the delivery of Adult Social Care in Powys.

Wales Audit Office inspections in 2011 and 2015 also issued recommendations based upon broadly similar themes, these being;

- 'Management changes at a senior level within the social services department have been ongoing, and temporary appointments have been in place for some time at both Director of Social Services and Head of Adult Services level' (CSSIW 2011).
- 'There is a longstanding need to modernise the Council's adult services and improve its strategic development' and 'the Council is delivering services for adults that are unlikely to consistently meet the needs of eligible people, and the arrangements currently in place are unlikely to secure either the scale or the pace of improvement that is needed' (WAO 2011)
- In 2013, CSSIW commented that 'progress is fragile and must be consolidated and sustained so that the improvements become embedded' and that 'a period of stability has been achieved with clear leadership from senior managers. However, key managers have been interim appointments'. This report stated that 'there are a number of challenges remaining. These are:
  - a. Consolidation of progress and continuing to seek improvement in the face of leadership changes and scarce resources.
  - b. Improving communication around change ensuring all staff and partners are aware of the work taking place and changes needed.
  - c. Sustainability as some service areas remain fragile with clear capacity issues.
  - d. Inconsistencies in both practice and service delivery experienced by partners across the county. This is described in terms of quality, quantity of resources, access and speed of response.
  - e. Rolling out developments across the county including the re-ablement service, the communication hub and other service developments'.

The focus of this document is the learning and developments gained since the most recent CSSIW inspection (April 2014) and Wales Audit Office report (December 2015), both commissioned in response to the significant difficulties the Council faced in the commissioning of domiciliary care services as well as a on the wider Adult social care department and the council in general.

### **The current domiciliary care service**

In North Powys (Montgomeryshire) a very stable and successful domiciliary care service has been operational for almost eighteen months. This is evidenced in reduced delayed transfers of care, high levels of service user satisfaction with their service, very low numbers of complaints, good CSSIW inspections of the primary provider (Abercare) and our other agencies operating in the north. The original framework

contract is still in place and has successfully achieved good quality service delivery through successful partnership working with the principle contractor Abercare Ltd. The framework has successfully ensured good quality care, including in some very rural areas where under the previous commissioning arrangement the Council was unable to source care provision.

In south Powys (Brecknockshire and Radnorshire), the framework contract has been disbanded and spot commissioning with wider pool of providers has taken place since early April. New providers have entered the market, including some organisations based in neighbouring counties who have introduced a new workforce to Powys. These actions have reduced delayed transfers of care, improved quality and customer complaints have significantly reduced. The service appreciates that progress needs to be consolidated and that the original commissioning intentions of the framework were unsuccessful in the south of the County (in terms of raising the standard of care and gaining full coverage of provision – including in very rural and upland areas). Monitoring of care providers has increased, as additional staffing resources have been placed in the commissioning unit (from other areas of Adult Social Care) and this has enabled enhanced monitoring, engagement with providers and feedback from service users to drive up standards of care.

### **Background:**

In March 2014 Powys County Council awarded four contracts to replace the spot purchasing arrangements the Council had with over 25 suppliers. The background to the award of these contracts has been well documented in previous reports (e.g. Council report on domiciliary care September 2015) and in the interests of brevity, will not be commented on further in this report.

### ***Review of domiciliary care by the Institute for Public Care***

Three months into the new contract arrangements, Adult Social Care was concerned that the contract was not delivering the outcomes required and that the level of concern from some citizens worried us greatly and that we need to undertake an objective assessment of what had taken place in order to learn lessons. In August 2014 the Institute of Public Care (IPC) at Oxford Brookes University was jointly commissioned to undertake a review by the Social Services Improvement Agency for Wales (SSIA) and Powys County Council which addressed specific aspects of the commissioning and procurement of domiciliary care services by Powys County Council prior to a transfer of services in April and May 2012.

The review was asked to examine key areas of the project including: the County Council's approach to the management of the Domiciliary Care market; planning and the timing of the staged transfers; the availability of data, procurement and project management; the actions of out-going providers; and engagement with service users, carers and external agencies. The review was instigated following feedback from service users directly affected by changes; the experience for some service users, particularly in the north of the county, had been very difficult and unacceptable and we deeply regret that this was the case. The review's findings highlight the complex nature of providing care services in a rural area the size of Powys. The tender and



commissioning of home care services was an essential piece of work in order to establish a stable service for the future and to address the shortfalls, inconsistency and lack of availability in some areas across Powys alongside dealing with significant financial pressures faced by adult social care.

This independent review was welcomed by both Adult Social Care and the Corporate Management Team. The review was thorough and challenging and helped the council to strengthen our commissioning approach through implementing a detailed set of actions and staff training. We accepted all of the Review's recommendations and we recognise that there are lessons to be learnt in what has been one of the largest transformational changes the council has undertaken.

### ***Inspection undertaken by Care and Social Services Inspectorate for Wales (CSSIW)***

The Care and Social Services Inspectorate for Wales (CSSIW) published an inspection report on Adult Social Services within Powys County Council on 10<sup>th</sup> August 2015. The inspection was carried out between March and May 2015 and interviews were undertaken with a number of staff and support services within the council, as well as with citizens who access services, partner organisations and providers who deliver care and support on behalf of the council.

The Adult Social Care Senior Management Team fully accept the recommendations contained within the CSSIW report and as a service we are fully committed to taking these forward as part of our improvement agenda.

The report issued the County Council with twelve recommendations that relate to wider Council services, specifically commercial services, legal services, finance and human resources (in addition to Adult Social Care). These recommendations are stated in full at the end of this document and The Council's response to these recommendations was presented to cabinet in September 2015 and was discussed at full council on 19<sup>th</sup> September 2015 and Adult Social Care's detailed action plan is contained in Appendix A.

### ***Recommendations from Wales Audit Office report (December 2015)***

Wales Audit Office (WAO) completed the 'Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited' this review issued the Council with three recommendations. These recommendations are broadly in line with the recommendations contained within the CSSIW inspection and earlier IPC report.

WAO recommended;

1. 'The Authority should ensure that the weaknesses and /or deficiencies in the arrangements established to let the current domiciliary care contract are not replicated in any future domiciliary care procurement exercise. These included deficiencies in
  - governance and accountability;
  - the way the contract was structured;

- information made available to tenderers; and
  - the way in which tenders were evaluated’.
2. ‘In order to meet the challenges for transforming its service delivery in the light of reduced financial resources and increasing demand, the Authority has adopted a clearly defined commissioning and procurement strategy. We recommend that the Authority consider whether the issues raised in this report have wider relevance for the successful delivery of its commissioning and procurement strategy, and undertake a review of its processes for developing and letting major contract acts. Particular attention should be paid to ensuring that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working in practice’.
  3. Audit work undertaken previously by the Auditor General in 2010 and 2014 on the Authority’s whistleblowing policy identified that ‘there was often a lack of an audit trail to support key decisions and events. Some key decisions were not documented and there were instances of key documents or supporting information not being found or not existing.

Similar issues are identified in this report. The review recommended above should consider the extent to which adequate documentation is produced and retained to support key decisions made when developing and letting tenders’.

The enclosed cabinet report includes an action plan focusing on our delivery of these recommendations (Appendix A).

### **Corporate learning arising from the domiciliary care tender.**

The following corporate learning points have been developed from Management Teams reflections following the domiciliary care re-tender. These are;

#### ***Resourcing Change***

The reports of both regulators and of IPC and PWC clearly show that as an organisation we have been trying to do too much with too little. There is good reason for this; when resources are tight it is difficult to justify investment in top professional and managerial posts or using consultants. Our staff have willingly tried to do everything and do not like saying no. However the consequences of this approach is now well documented.

The regulatory reports rightly highlight shortcomings in commissioning and procurement capacity and capability however the resource issue goes much further. We must accurately assess the resources to make planned changes at every stage and provide those resources. This means managerial and leadership capacity and capability within services but also corporate capacity and capability for legal, HR, finance and IT support as well. There is also a need to ensure that governance processes are adequately supported.

#### ***Market and Business Development***

One of the critical factors for successful commissioning is the ability to provide the required service to meet the desired outcomes. A learning point from the regulatory reviews was that the domiciliary care market was not sufficiently developed to meet the requirements of the contract packaging or the service specifications. We need to work with providers and markets to develop service provision. This is a different skill to procurement or purchasing and requires expertise. We must ensure that we have access to this expertise and deploy it at the start of the commissioning cycle.

### ***Governance and Scrutiny***

The organisation has well established governance structures and protocols. However, like change, their operation requires resource and appropriate behaviours. The Council has undertaken significant work on staff engagement and values and which has led to major improvements. To further improve we need to ensure that the work of programmes and projects and their supporting decisions can be readily subject to inquiry and objective scrutiny.

### ***Data***

The planning and delivery of services and change requires the Council to fully analyse and consider all available data. A prerequisite to this is that the data must be available and must be robust. The regulatory reviews have indicated that, in respect of the domiciliary care contracts, this was not always the case. This is a corporate issue which must be addressed if the Council is to deliver successful change and improvement. Ensuring that the Council has access to and fully considers all the available data requires investment in both capacity and capability.

### **Adult Social Care learning arising from the domiciliary care tender.**

The following observations and learning elements have been developed by members of the Adult Social Care Senior and Operational Management Teams and through the 'Learning Event' facilitated by the Institute for Public Care following the publication of their report. This learning event (held in April 2015) brought together the People Director Management Team and Senior Managers as well as a number of Heads of Service from across the council to reflect on the outcomes of the report and IPC recommendations, many of which transcend adult social care and are applicable across the Council.

The following nine learning outcomes are based on the reflections of the Adult Social Care senior and operational managers in response to the service's experience over the last three years.

1. **At the time of the domiciliary care retender, Adult Social Care did not have sufficiently experienced or dedicated staffing capacity to allocate to the domiciliary care project, consequently we have been overly reliant on interim managers and consultants in key positions to deliver key strategic projects.**

Adult social care as a service has changed significantly since 2013, as the service has embarked upon a challenging transformation process and has made demonstrable progress on this journey. Over the last three years we have developed our joint commissioning strategies for people with learning disabilities, mental health, Older People and are nearing completion of our assistive technology and older people's accommodation plans. Following a complete restructure of Adult Social Care and commissioning we have invested in a number of new posts (particularly in transition and mental health) and have undertaken a large scale commissioning skills development programme amongst our staff. We have successfully redesigned and retendered our supported living accommodation and respite services for People with Learning Disabilities, redesigned the community equipment service and completed its retender and commenced the development of an extra care scheme in Newtown.

At the point of the tender of the domiciliary care service in January 2014, the Head of Service was new to the Council, the commissioning unit within the People Directorate was in the process of formation and a permanent senior manager for Commissioning had yet to commence his appointment. Consequently the domiciliary care commissioning project was predominantly delivered by consultants to the council whose engagement to the project was time limited to the completion of the tender. Essentially, at the point of tender, the Council did not have an internal team capable of managing a complex commissioning exercise and since then capacity and training has been invested in the service since 2014 to ensure that these projects are led and owned by the service ourselves. This change in the commissioning unit's ability to deliver a complex project is exemplified in the recent successful completion of the Learning Disability Supported Living, Respite tenders and community equipment tender – all delivered to a high standard, achieved the savings required and have led to good outcomes for customers.

Despite delivering some improved outcomes Adult Social Care still faces many high profile and complex change management and service reconfiguration projects that require completion. This is especially in relation to the Social Service and Wellbeing Act and the budget reductions the services has to deliver (and will continue to do so) during a period of increasing customer demand. An investment in additional senior management capacity has been provided in order to deliver improvements as part of the Cabinet's response to the scale of the required change. The responsibilities of the current Head of Adult Services have been split to reflect the service's operational and transformational change requirements. The council is also giving consideration to the project management and commissioning capacity required across the council as we seek to remodel and redesign services in order to improve the experience for our service users in line with the spirit of the Social Services and Wellbeing Act [2014] and meet the continued financial pressures due to the demography in the county which are the most significant in Wales.

Within Adult Social Care, the major change programmes for the period 2016-18 include;

- Integration of our key services with PTHB and in particular our focus upon older people's services within the first phase of our integration plan
- Managing demand more effectively through a strengthened 'front door' and effective information, advice and assistance through Powys People Direct
- The 'Hearts and Minds' of our front line staff enabling them to take a 'strength based approach responding to 'what matters ' and ' what is important to people '
- Working with our communities and partners to build personal responsibility and changed expectations of what adult social care can offer
- Reconfiguration of Learning Disability day time activities to release £1M of savings.
- Significant reduction in the number of residential care placement of frail older people who will be supported in their own homes and the roll out of assistive technology and development of extra care schemes.
- Management of demand and capacity within the domiciliary care, residential and nursing care sectors.
- Domiciliary care commissioning arrangements post 2018.

**2. Our information quality and data systems were not sufficiently robust to provide us with timely and accurate information upon which to make decisions.**

The quality and accuracy of Adult Social Care's data systems at the time of the domiciliary care tender were inadequate to meet the needs of a modern social care service. Whilst during the past two and a half years improvements have been made to the quality of data in the commissioning service considerable further work is required in order to meet the data reporting requirement of the new Social Service and Wellbeing Act and to effectively manage the performance of the service. Progress is being made to implement some 'automatic' reporting systems however, this challenge is particularly pertinent at a time when the performance management resource of corporate support services has been reduced and the demands of new legislation have increased the Council's responsibilities.

The forth-coming CCIS system will be an important mechanism to ensure our business processes, procedures and single record system are effective to support our integrated delivery with health colleagues in order to improve service delivery and the experience for our citizens.

**3. Pressure to achieve budgetary savings led to hurried decision making and immediate pressure to re-tender the domiciliary care service.**

In December 2013 the Adult Social care budget was projecting an overspend of -£2.6M and the new Adults' Management Team faced significant pressure to deliver urgent savings in order to control the budget. This pressure was increased by three changes in political administration between October 2013 and January 2014. Prioritisation and decision making particularly in relation to contentious service and budgetary decisions was difficult to achieve.

The domiciliary care retender coincided with the retirement or voluntary redundancy of a significant number of 'in house' domiciliary care staff, linked to a wider Council voluntary redundancy initiative. During this period Adult Social care were also restructuring the department in order to streamline the service but also to achieve £500,00 savings from the staffing budget and to further make savings to reinvest in the re-ablement service (prior to this, the re-ablement service had not been fully funded from base budget).

In hindsight, the development of the re-ablement service should have had a separate project plan and been properly funded with invest to save monies. The consequence of managing the closure of the in-house service at the same time as the deployment of the re-ablement model hindered the flow of clients through our support in the home systems and increased pressures on hospital discharges.

Managing the closure of the in-house service and the domiciliary care tender implementation required the same officer team, and further stretched the service. It should be noted that the safe management of the in-house service at the time was severely problematic as the service had been allowed to decline in staff numbers over a number of years, this had led to pockets of the County having a very small in house service with severe difficulty in covering the care needs of the customers requiring a service. While the VR/VER of care staff did have some impact upon the challenges of the wider home care service, it is important not to overstate the impact of this change on the wider domiciliary care project as the actual service delivery hours of these staff were relatively small and a number of the former in-house staff joined the re-ablement service. Nevertheless, the management of the closure of the in-house service alongside the commencement of a new contract was challenging to achieve.

**4. The delivery of multiple projects and service changes at the same time as a major change (such as the retendering of the domiciliary care contract) requires adequate resourcing in order to deliver the required outcome.**

In 2013, as a result of CSSIW inspections, scrutiny audits and the service's own improvement objectives Adult Social Care (ASC) was seeking to deliver almost 400 individual projects and improvement actions. Through the 2014/15 Service Improvement Planning project these multiple priorities were rationalised into nine core improvement programmes, each with multiple projects. Even through the process of rationalising the service's improvement programme, nine programme objectives is still a very large work programme for a service to manage, however reducing the work programme further was not possible due to the urgency of much of this work.

The transformation of ASC should have commenced many years earlier (as many other Welsh authorities had commenced service redesign over ten years ago), if this had happened, it is likely ASC would have been in a far stronger position to manage (and potentially avoid) the challenges faced in 2014/15. This is because far greater service resilience and technical capacity would have been developed within adult social services.

The impact of the challenges faced in domiciliary care extended beyond the management of the domiciliary care service and affected ASC's ability to deliver other programmes of work. This was because the people resource was reallocated from other programs and projects into domiciliary care to manage the safe delivery of services. At the height of the challenges the core domiciliary care team were working very long hours, many officers cancelled or postponed their holidays in order that the safe delivery of service to vulnerable people could be maintained. The level of exhaustion the team experienced at this time cannot be overstated and has taken many months to recover from.

While today's domiciliary care service is well managed, delivering good outcomes and receiving positive customer satisfaction levels the service still demands significant team capacity to maintain this level of service effectiveness. This level of officer demand will continue over the next three years as preparations continue to implement the recommendations of the domiciliary care options appraisal and cabinet report. Additional project management and commissioning resource will be required to effectively implement this work, and these resources have not yet been secured to facilitate this. An 'invest to save' bid is currently being prepared to provide this much needed capacity.

**5. Commencement of home care transfers over a weekend / bank holiday period added unnecessary complexity to the management of the transfer process.**

As part of the 2014 domiciliary tender, handover to the incoming agencies was conducted over a weekend period, this was timed in order to align with the County Council financial payment cycles and to reduce the pressure on the finance service that had already reduced staffing numbers due to wider council budget cuts. However well intentioned, this arrangement increased the pressure on adult social care during an already challenging period. In the recent supported living and respite tenders the service has ensured that these transfers took place during the working week demonstrating a 'people first approach' to ensure safe delivery.

**6. Engagement with providers is key as part of building the capacity to manage significant service change.**

At the point of the domiciliary care contract award (and the procurement process leading up to it) the service and the main consultant working with providers had a poor working relationship with a number of the local providers. This contributed to the low

base from which we were starting and was exacerbated by the tender and transitional arrangements.

The sub-contracting arrangements that were put in place contributed to a lack of direct line of sight and relationship between some providers and our commissioning staff, along with the added pressure of the cost effectiveness for main providers of this approach.

Since 2015, the commissioning team has dedicated time and effort to improving the working relationships, trust and co-operation between providers and the Council. This is exemplified in the Domiciliary Care Providers Forum that continues to grow in strength and is leading to some encouraging signs of providers co-operating with each other.

### **7. Engagement with service users and selecting a model of care appropriate for a rural community.**

IPC and CSSIW made a number of important recommendations in relation to engagement with service users and carers as part of service development, and its critical role prior to service redesign or change. As a management team we fully accept these recommendations and these are reflected in our action plan and were built into the 2015 supported living, learning disability respite and community equipment tenders.

Working through the process of the domiciliary care options appraisal (November 2015) we have learnt that selecting models of care for highly rural areas is complex, with many determining factors and consequently in practice there is no single 'correct' answer or model for Powys' provision. The domiciliary care tender has reiterated to us the importance of flexible models of support and the need and ability to 'flex' commissioning approaches to respond to the presenting and changing need, including the scope and opportunity to swiftly purchase care outside of framework contracts when the need arises. All future commissioning arrangements will require this commissioning and procurement flexibility.

### **8. The importance of a 'Team Powys' approach that delivers good outcomes for our citizens through effective cross departmental working and resource planning.**

At times, during the domiciliary care commissioning project effective inter-departmental working was challenging as individual departments were focused on delivering their change programmes and restructuring in order to respond to the significant financial cuts that the Council faced. Therefore the retender took place during a period of reduced resources and restructure which reduced the organisation's capacity to assist during a period of service crisis.

In order to deliver effective services during periods of transformation a more co-ordinated approach is needed so that resource, processes and systems are sufficiently agile to respond during periods of significant challenge. Further development is



required to ensure that as a service we deliver strengths based, outcome focused support that truly promotes our citizens independence, this will require a culture change in many of our teams and training, coaching and mentoring will be rolled out help facilitate this change in lines with the Social Services and Wellbeing Act.

**9. Robust processes to evaluating service and citizen risks in terms of monitoring the implementation of contracts and the courage to be prepared to halt contract award or implementation when necessary to do so.**

Risk assessment and risk evaluation capability has developed significantly within the service since the period of the domiciliary care tender. This progress has been achieved through training, mentoring by the Institute of Public Care and as the service has matured during the last two years. The test of service maturity can only be experienced when circumstances require a decision to stop, change direction or abandon a commissioning exercise. Building resilience into core activity will be key to avoiding a similar situation.

**10. At times of significant service and organisational change, the Council must ensure that its workforce's knowledge, skills and capacity is developed prior to embarking on major service reform.**

On face value this reflection is a rather obvious statement, however when services find themselves under immense pressure to redesign and release urgent financial savings it is rather more difficult in practice to resist embarking upon delivery than taking the time to build skill and capacity prior to implementing change.

Since the CSSIW inspection Adult Social Care has restructured, embarked upon a programme of technical skills training, development and capacity building that places the service in a significantly stronger position to continue improving. (see Action 12 p43 of the CSSIW Action Plan). The recent appointment of a Head of Operations and Head of Transformation will give at a senior management level additional capacity to deliver change, however additional resource at middle management and project management levels will also be required to implement the service change required.

The development of an ASC Workforce plan and wider Powys County Council Workforce Strategy will be key to implementing successful long term management of change within the service, this strategy is current under development and is linked to the wider integration programme between Adult Services and Powys Teaching Health Board.

**Conclusion:**

Powys County Council recognised that there were some very serious challenges that impacted adversely upon a number of our citizens through the tendering of our domiciliary care services, and we deeply regret this.

As a service the journey of recovery from the domiciliary care tender to the delivery of a stable, (yet fragile service) has been difficult and all progress gained since has been hard won. Our operational teams and the ASC Senior Management Team have

worked tirelessly to reach the current situation and I must convey my thanks for their commitment and their willingness to give up their evenings, weekends and at times holidays to ensure that we deliver a safe service to our most vulnerable citizens.

Undoubtedly, Adult Social Care today is a significantly stronger service as a result of the learning gained and improvement activity completed since the domiciliary care tender and stands us in good stead to continue this transformational journey together as a team deeply committed to delivering the very best outcomes with our citizens.

Amanda Lewis – Strategic Director of People

Joy Garfitt – Head of Adult Social Care

DRAFT

## APPENDIX B

**CSSIW Inspection (published August 2015) recommendations;**

1. **Corporate governance arrangements** for social care commissioning need to be clarified and strengthened in order to effectively challenge and test the design, planning and delivery of the demanding work programme that Powys is facing.
2. The **commissioning strategy** for older people must be based on a rigorous analysis of need and demand at community level and include local infrastructure and innovative and collaborative solutions. It should also consider models of best practice used elsewhere.
3. The approach to commissioning social care services should make greater use of **service user and carer experiences** and facilitate a wider conversation with its communities about what future service models might look like.
4. Future commissioning and procurement exercises for domiciliary care services should be built on a **market development** and partnership approach. It must robustly test the tender submissions, the capacity and capability of organisations to manage the transition of services and deliver the service specifications.
5. The **knowledge and skill base** for managers in commissioning and the management of contractual relationships needs to be developed through a range of solutions including training and mentoring opportunities.
6. The Council needs to strengthen its **relationships** with and oversight of domiciliary care providers operating in Powys, including setting up regular meetings and clear lines of communication with the commissioning managers to address ongoing concerns and queries.
7. The Council needs to consider carrying out a review of the **grants and service level arrangements** to ensure they align with the Powys One Plan and the Integrated Pathway and provide the best value for money.
8. The development of the **integrated pathway** for older people with Powys Teaching Health Board should be clearly defined and articulated to capture the projected demand and therefore capacity required at each stage, including reablement. The future integrated service model must be supported by clear governance arrangements that include financial commitments and management accountability.
9. The **first contact** arrangements via the Powys People Direct should be further developed to ensure it can provide the appropriate level of response, advice, support and information for adult services and therefore reduce the need for an additional duty response at team level.

10. The new adult **safeguarding** management structures and reporting mechanisms must be secured and established as a priority, to ensure that the Designated Lead Managers are supported in their responsibilities and there is consistent reporting, decision making and oversight at an appropriately senior level.
11. The low uptake of **carer assessments** needs to be further investigated to understand the needs of this group of people and how they can be supported in their role.
12. A **workforce strategy** which supports the establishment of the integrated pathway for older people should be developed across the wider health and social care workforce including domiciliary care. Opportunities to build workforce capacity such as care apprenticeships should be considered, as well as potential barriers such as housing and transport'.

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Reference	HVT/lgs/caf.2
Date	16 March 2016
Pages	1 of 4

Dear Chief Executive

### Local Government studies programme and 2016-17 performance audit programme

Following my recent consultation in December/January on my three-year programme of Local Government Studies, I am writing to let you know the outcome of this exercise, and also to set out my intentions for delivering my programme of performance audit work at councils in 2016-17.

Firstly, I asked for views during my studies consultation on a list of possible studies, as well as inviting suggestions on other options for consideration. I received 32 responses and based on these and links to other work, I have adopted the following three-year programme. I should however stress that whilst 2016-17 studies are confirmed, I will be revisiting this programme regularly to consider other issues that emerge and will consult as appropriate on any changes as well as confirming the content and timing of studies.

Year	Proposed Studies
2016-17	<ol style="list-style-type: none"> <li><b>Addressing dependency and demand for public services through the development of effective prevention approaches</b> – In the last few years, Councils in Wales have developed a model of public service delivery based on a ‘deficit approach’ – focusing on problems, needs and deficiencies of individuals and communities, designing services to fill the gaps and fix the problems, leading to individuals and communities becoming both disempowered and dependent. This review will consider how councils are reducing demand for services focussing on alternative methods of delivery, will consider the impact of decisions specifically within deprived communities, and would include a critique of the Welsh Government Anti-Poverty Strategy.</li> <li><b>Strategic Commissioning</b> – The sharper focus on outcomes is leading to the reorientation of public services around a ‘commissioning model’. The majority of service provider relationships are borne out of a desire to cut costs and improve service delivery, however the opposite can (and often does) occur. Many Local Authorities underestimate the complexities involved in establishing a strong service provider partnership from the outset. This study will look at how effective councils are at strategic commissioning.</li> </ol>

Year	Proposed Studies
2016-17	<b>3. Improving joint work on housing and health</b> – Joint working between housing and health can reduce pressures on the NHS and improve an individual's overall wellbeing. It is widely recognised that the quality of housing and the surrounding neighbourhood are influential in shaping health and wellbeing at different points of people's lives. Given the critical role of housing in addressing health inequalities this review will consider how councils are working with health and housing bodies to deliver health improvements.
2017-18	<b>1. Tackling the causes and effects of drug and alcohol misuse.</b>
	<b>2. Using data effectively</b>
	<b>3. How well do public services provide services to rural communities</b>
2018-19	<b>1. Implementing Social Services and Well Being Act</b>
	<b>2. Tackling domestic violence</b>
	<b>3. Are planning services delivering value for money</b>

The three studies selected for 2018-19 focus on areas where new legislation has only recently been introduced. I therefore plan to run small-scale information gathering exercises for each of these studies in 2016-17 to gather local authorities' current views about their implementation and to test the outcome and impact of these changes in 2018-19. This will enable me to take a longitudinal perspective on the work.

I will be putting in place 'virtual' project steering groups for each of my studies, and will invite expressions of interest to contribute. These small groups will assist in reviewing the project briefs and tools as they are developed, and will contribute to reality checking emerging findings. This is an approach I am using in my current third-sector funding study and one that proved to be extremely beneficial..

Whilst writing, I would also like to set out my intentions for delivering my programme of performance audit work at councils in 2016-17. I have reviewed my existing local government performance audit programme in the light of the reform programme set out in the draft Local Government (Wales) Bill. I have taken into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).

As the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, I intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.

I therefore propose to undertake three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish national summary reports, funded by the WPI grant, that will provide all-Wales overviews and signpost good practice and shared learning. As well as responding to the fast changing environment for local government, my choice of thematic reviews has been influenced by responses to my local government studies consultation. In brief, the three thematic reviews that I have decided upon are as follows, and I will provide councils with a detailed project brief in due course.

Financial resilience review	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
Governance review	With the introduction of CIPFA's revised framework for 'Delivering good governance in local government', and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.
Transformation review	This baseline review will examine how councils are approaching 'transformational change'. In particular how key corporate enabler functions work in an integrated way to support change programmes.

As the Local Government (Wales) Measure 2009 will continue to apply to councils in 2016-17, I will still need to satisfy audit requirements under section 17. I will do this through a basic audit check of local authority publications and will provide a certificate of compliance. In terms of my section 18 assessment requirements, I will discharge this through the thematic reviews that I have outlined above. I intend to leave some headroom within the fee structure for agreeing local risk-based work following discussion with each council. As each of the thematic reviews will result in a local report, annual reporting will be by means of an annual letter providing summary highlights and linking to local reports.

For those councils yet to have a Corporate Assessment, I will consider whether any additional assurance work is required over and above the three mandated reviews to gain assurance that 'proper arrangements' are in place to satisfy the 2009 Measure requirements.

I apologise for the lateness of this communication. Unfortunately, due to the late notice of withdrawal of a significant amount of WPI grant funding, I have had to take a little time to consider the implications of the reduction in funding I receive from the Welsh Government with a view to ensuring, as far as I am able, that there is little or no adverse fee impact on councils.

If you have any views on the content of this programme, it would be helpful to receive those comments by 31 March 2016. My staff will, of course, be discussing my programme of work with you in more detail on an individual council basis and will be happy to answer any specific queries that you may have.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas', with a stylized flourish at the end.

**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**



## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

15<sup>th</sup> April 2016

**REPORT AUTHOR:** Caroline Evans, Business Continuity & Risk Management Officer

**SUBJECT:** Update Report on Risk Management

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**REPORT FOR:** Information

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#### **1.0 Summary**

- 1.1** An update has been requested by the Audit Committee on Risk Management within the Council, following a report to the previous Committee on 4<sup>th</sup> February 2016.
- 1.2** This report outlines the position statement for Risk Management within the Council, and progress made since the last committee.

#### **2.0 Background**

- 2.1** We are in a process of continuously improving and updating our approach to risk management to help us to better understand and manage the risks the Council faces and to increase the likelihood of achieving our objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, and to safeguard the organisation and in turn make it more resilient.
- 2.2** A process of implementing risk management in service and directorate management teams has been initiated, to review and update service and corporate risks, and to ensure that control measures are identified. The risks are reviewed and updated quarterly to ensure that the risk registers are dynamic and remain up-to-date.

#### **3.0 Progress**

- 3.1** Service Improvement Plans (SIPs) have been developed by services for 2016-19, and these are currently in the process of being finalised. A process of challenge has been undertaken to ensure that the service risk registers are up-to-date, and that the risks have been included within the new SIPs. This process will ensure that services are aware of and consider all of their risks when
- 3.2** The risk register has been included as part of the budget process. A Single Integrated Impact Assessment (SIIA) tool was developed which incorporates a risk assessment as well as impact on equalities, Welsh language, Wellbeing and Future Generations Act, Safeguarding and Corporate Parenting within one toolkit. SIIAs were completed for all 2016/17 savings, and were discussed by Cabinet as part of the budget sign-off process. The SIIAs were made available to all Members as part

of the budget sign-off process. Risks from the SIAs are currently being transposed to the service risk registers.

- 3.3** The SIA project team has met to discuss feedback following completion of the toolkit for the 2016/17 savings, and to make improvements to the document as well as the process. Further training will be provided to officers and Members to ensure the quality of the information within the documents is improved. One of the changes made following feedback is the re-naming of the toolkit to the Impact Assessment (IA) toolkit.
- 3.4** An initial meeting to discuss budget planning for 2017/18 has been held and further meetings will continue to be held periodically. The process of gathering IAs for 2017/18 savings will begin immediately, and these will undergo a process of quality checking to ensure that services have fully completed the toolkit.
- 3.5** WAO recently undertook an assessment of the Council's financial resilience. As a result of the assessment, WAO has nominated the Council as a good practice example highlighting that "the Council has moved to a balanced three year financial strategy based on a more strategic approach to financial planning that better understands the links between revenue, capital and reserves and better enables longer term planning and transformation."  
In addition they state that "Building upon advice and guidance provided by the Equality and Human Rights Commission, Powys CC has adopted a revised, combined assessment approach for impact assessment of its budgets (SIA). As well as providing general guidance in completing these assessments, the Council has provided training to support services in developing them."
- 3.6** The Cabinet continues to view the corporate risk register on a quarterly basis, and the Leader is updated on the progress of risk management on a monthly basis, as part of his role as Portfolio Holder for Risk Management.
- 3.7** Risk Management training has been developed and delivered to the Cabinet and the Audit Committee. As well as setting out the journey the Council has taken so far on the process of risk management, the training is intended to provide a basic understanding of the tools which the council utilises to manage its risks. These include the Heat Map, Risk Register, Risk Assessment Matrix and Risk Score.
- 3.8** A working group has been established to help prepare the Council in readiness for the corporate assessment process based on the three themed assessments which WAO will undertake throughout the year. One piece of work which the group has undertaken is identifying thematic leads to undertake a self-assessment process which will enable the Council to identify its areas of weakness, as well as its strengths.

#### **4.0 Further Work**

- 4.1** Engagement with SMTs and DMTs will continue, to further embed the risk management process throughout the Council. Services will review their risks ongoing on a quarterly basis, and will report this information at the Quarterly Performance Review meetings, as well as to Cabinet Management.

- 4.2 The Business Continuity & Risk Management Officer will continue to meet with the Leader on a monthly basis to ensure that the corporate risk register remains up-to-date with the appropriate mitigating controls identified.
- 4.3 Following refinement of the IA toolkit, the process of co-ordinating IAs for the 2017/18 budget will begin. The process of collecting the IAs much earlier should allow them to be completed to a better quality standard.
- 4.5 Once completed, the results of the self-assessment process will be analysed to identify weaknesses and where further work is required. An action plan will developed to respond to any areas of weakness identified.

**5.0 Business Continuity Management (BCM)**

- 5.1 Attendance at the Dyfed Powys Local Resilience Forum (DPLRF) continues. This work has helped to form good working relationships and a peer support network with colleagues within the DPLRF which will allow the sharing of information and approaches taken in other areas of work including Risk Management.
- 5.2 The BCM Group continues to meet on a quarterly basis. The Group is a forum which enables BCM Champions to interact and share knowledge, as well as identifying any inter-dependencies.
- 5.3 The Service Improvement Plan (SIP) template was previously updated to incorporate an evaluation of BCM. Undertaking self-evaluation is seen as an approach to improvement. This approach should help to further embed BCM throughout the Council, and ensure that Business Continuity Plans are regularly reviewed and updated.

**6.0 Statutory Officers**

- 6.1 The Strategic Director, Resources (S151 Officer) has made the following comment:” Risk Management continues to be a key part of the councils approach to managing future service pressures as well as ensuring the council operates with appropriate governance.”
- 6.2 The Solicitor to the Council (Monitoring Officer) has made the following comment:

**7.0 Future Status of the Report**

- 7.1 Not applicable

Recommendation:	Reason for Recommendation:
<p><b>That the Audit Committee notes the progress being made and endorses the role that the Business Continuity &amp; Risk Management Officer will also play in corporate processes such as budget setting and the corporate assessment process to meet Risk Management requirements.</b></p>	<p><b>To ensure the adequate management of risk, and safeguard the Council.</b></p>

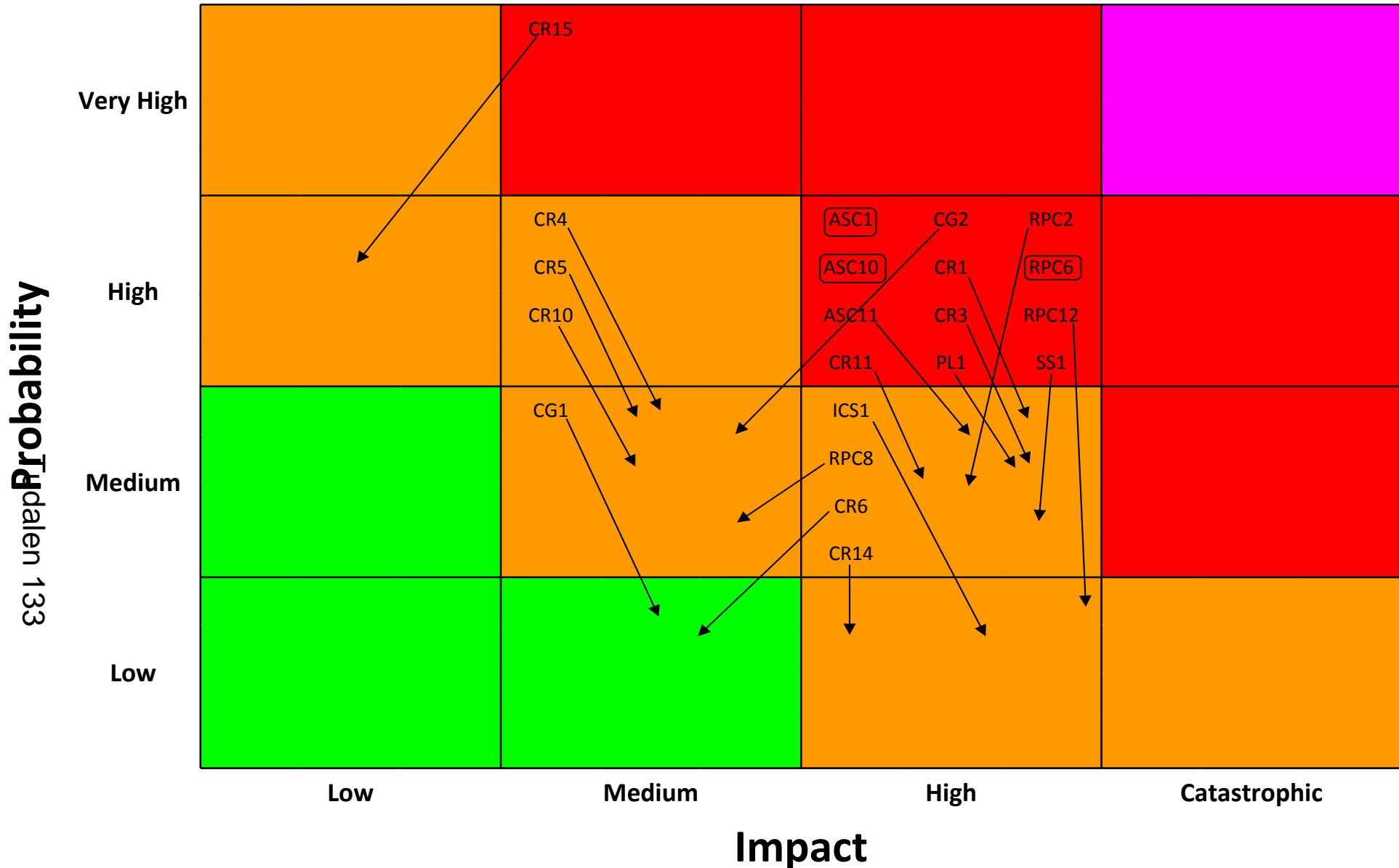
<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y / N</b>	<b>Within Budget:</b>	<b>Y / N</b>

<b>Relevant Local Member(s):</b>	<b>Not Applicable</b>
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<b>Person(s) To Implement Decision:</b>			
<b>Date By When Decision To Be Implemented:</b>			

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Caroline Evans	01597826171		caroline.evans@powys.gov.uk

Heat Map



The risk reference e.g. ASC10 identifies the level of inherent risk to the Council (pre-mitigation).

The arrows from each risk point to the level to which the risk will reduce as a result of the mitigating controls being implemented (residual risk).

Those risks with    around them do not change their level of risk with mitigation.

Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
ASC1	15/07/2015	SIP	Adult Social Care	Not gaining full agreement on some of the more controversial and high profile agreements for the direction of travel of the service, which without we'll be unable to achieve the full level of financial savings	Inability to meet the demands and requirements of service users	H	H	High	9	<ul style="list-style-type: none"> <li>• Ensure appropriate information is available to inform Member's decision making;</li> <li>• Appropriate options appraisal undertaken;</li> <li>• A series of pre and formal consultation events are being held over the winter period.</li> </ul>	Amanda Lewis	Cllr Stephen Hayes	Hold regular member development sessions to keep them informed of issues relating to service. 19/10/15 - Consultation process over the winter period for the following services: - <ul style="list-style-type: none"> <li>• Daytime activities for Older People;</li> <li>• Fairer Care Policy;</li> <li>• Residential Care;</li> <li>• Older Peoples Commissioning Strategy;</li> <li>• Learning Disabilities Project - Day &amp; Employment Services;</li> <li>• Budget Consultation.</li> </ul>	H	H	High	9	Updated at Adults SMT 22/1/16
ASC10	15/07/2015	SIP	Adult Social Care	Re-negotiation of contracts are unsuccessful or increase costs of service delivery.	<ul style="list-style-type: none"> <li>• We fail to re-negotiate a contract;</li> <li>• Capacity to support the development of interim arrangements could delay the process;</li> <li>• Replacement services not planned for / in place in a timely manner</li> <li>• Commercial Services are unable to achieve savings identified over and above the MTFs.</li> </ul>	H	H	High	9	<ul style="list-style-type: none"> <li>• SIP outlines action to develop interim arrangements and to assess longer term implications;</li> <li>• Service provider to be consulted as part of the above;</li> <li>• Project team established. Project has commenced and is managed through ICPOP.</li> </ul>	Amanda Lewis	Cllr Stephen Hayes	<ul style="list-style-type: none"> <li>• In conjunction with Commercial services risk assess any interim plans;</li> <li>• Corporate ownership and support in place to ensure focused and successful implementation.</li> </ul>	H	H	High	9	Updated at Adults SMT 22/1/16
ASC11	15/07/2015	SIP	Adult Social Care	Failure to stabilise the Domiciliary Care market.	<ul style="list-style-type: none"> <li>• A service which does not deliver the outcomes that our services users need / want;</li> <li>• An unsustainable financial burden to the council;</li> <li>• Impact on capacity of ASC Services to undertake innovative work;</li> <li>• Adverse reputational risk for the Council;</li> <li>• Service users left at risk;</li> <li>• Failure to meet statutory duty.</li> </ul>	H	H	High	9	<ul style="list-style-type: none"> <li>• SIP outlines specific action to develop plan to establish a stable Domiciliary Care Service;</li> <li>• Additional / temporary officer capacity has been sourced for Adult Social Care to support this area of work;</li> <li>• Project Board established;</li> <li>• External support and evaluation / critical support from IPC;</li> <li>• Commissioned a range of many providers to deliver care;</li> <li>• Provider forum established;</li> <li>• Robust support and monitoring arrangements in place.</li> </ul>	Amanda Lewis	Cllr Stephen Hayes	<ul style="list-style-type: none"> <li>• Integrated approach with Health to design a joint domiciliary service model;</li> <li>• Cabinet report in October on Domiciliary Care next steps.</li> </ul>	M	H	Medium	6	
CR11	14/09/2015	CEO	Social Care	Implementation of CCIS (DRAIG replacement)	Loss of data resulting in an efficient service with officers being unable to access client files. Delay in new system being commissioned as part of a National approach. Demand on resources; Continuity of reporting; Loss of data.	H	H	High	9	Project team and project governance established. DRAIG will continue to support the current system until we migrate onto CCIS.	Amanda Lewis	Cllr Phil Pritchard	Project Risk Register managed by ICT.	M	H	Medium	6	National system for Wales for Community Health & Social Care, and Early Intervention and Prevention across Wales. Integrated working and access to relevant information will be increased.

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
CG1	Prior to 2014	SIP.L.V2	Corporate	Failure of governance.	Council acts ultra vires; Contravenes finance regulations and EU procurement regulations.	M	M	Medium	4	All work is report based and there is a mechanism in place by which appropriate checks are made - two checks are made by Finance and two checks by Legal (Section 151 Officer and Monitoring Officer).	Jeremy Patterson	Cllr Phil Pritchard	Installation of a software package by Autumn/Winter 2015. This will insist on timely provision of reports and will send reminder emails to the appropriate officers; Programme Governance Action Plan - spot audits of Programme Boards; Audit of Programme Board governance; Regulatory Reports.	L	M	Low	2	The software is extensively used by WG and automatically sends reminder emails to officers.
CG2	21/11/2012	Risk Register 21/11/12 12.11	Corporate	Data Protection Breaches	Information Commissioners Intervention. Financial Penalties	H	H	High	9	<ul style="list-style-type: none"> <li>Information Governance Plan supported by the Corporate Information Governance Group which meets on a quarterly basis;</li> <li>Ensure we comply with corporate training requirements and quality assure our processes;</li> <li>IT equipment encrypted;</li> <li>Policies and procedures in place;</li> <li>Staff training;</li> <li>Printer security controls;</li> <li>Data transmission controls (secure email).</li> </ul>	Amanda Lewis	Cllr Barry Thomas	Introduction of information asset owners; Information Asset Register; Information Risk Assessments.	M	M	Medium	4	
CG3	21/11/2012	Risk Register 21/11/12 12.100	Corporate	The Council is unable to manage the level of financial cuts required by the Welsh Government and the relatively poor funding position	The Council incurs significant overspend. Projected budget will suffer an overspend. Penalties and fines may be imposed Council reputation damaged	H	H	High	9	Medium Term Financial Plan; Cost Recovery work; 3rd party spend reduction; Income Generation; Monthly reports to cabinet and Management Team on budget progress and progress on savings.	David Powell	Cllr Wynne Jones	Moving to 3 years balanced budget; Setting up Budget Management Reserve; Single impact assessment incorporating a risk assessment of each individual identified saving.	M	H	Medium	6	Updated at RMT 10/12/15

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Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk			Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk			Notes
						P	I	Risk Rating					P	I	Risk Rating	
CR3	21/11/2012	Risk Register 21/11/12 12.92	Corporate	Inadequate Corporate Governance arrangements for shared services and partnerships	Failure to effectively deliver services	H	H	High 9	<p>Progress on the One Plan is reported through the Transformation Board and the LSB.</p> <p>In July 2012 PCC and PtHB entered into a formal partnership to deliver ICT services from a joint team formed by the integration of the ICT teams from both organisations. A Section 33 agreement was employed and provides a formal basis for partnership working. This agreement has two tiers of governance: -</p> <ol style="list-style-type: none"> <li>1. ICT Management Team;</li> <li>2. Joint Partnership Board.</li> </ol> <p>The Joint Partnership Board was established in 2012 and is chaired by the Leader. This manages all Section 33 agreements and is attended by the PCC Leader, PCC Chief Executive, PtHB Chief Exec and PtHB Executive Director.</p>	Jeremy Patterson	Cllr Barry Thomas	<p>As we enter the new landscape of integration being delivered by PCC and PtHB we will require suitable governance arrangements and lines of accountability which makes governance less ambiguous and more robust, and making scrutiny more effective and more complementary with other accountability mechanisms. Taken together these make organisations more responsive to change, and will mean that scrutiny and accountability drive improvement effectively.</p> <p>This work is underway to agree a revised Scrutiny and Governance structure that will meet the increased scope &amp; pace of change for PtHB /PCC integration required by Welsh Government, address member concerns about levels of member involvement and meet PtHB requirements for separation of Board and executive functions. As part of this work we will:</p> <ul style="list-style-type: none"> <li>• Implement a shared governance and scrutiny structure;</li> <li>• Develop and implement a shared member / non-executive training programme;</li> <li>• Develop &amp; implement a shadowing programme across PCC cabinet / scrutiny and PtHB Board and Committees;</li> <li>• Seek approval at Cabinet and PtHB.</li> </ul>	M	H	Medium 6	WAO report presented to Audit Committee 22nd April 2015 identified that the Section 33 agreement has improved service resilience and reduced IT risk, and Section 33 arrangements provide a good basis for integrated working.

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Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
CR4	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Failure to deliver on the Powys One Plan	Failure to deliver on the Powys One Plan which incorporates our statutory corporate improvement plan - could be subject to intervention	H	M	Medium	6	<p>Programme Office established with Strategic Programme Managers leading on each of the 5 programmes within the Powys One Plan.</p> <p>Programme Boards meet bi-monthly and monitor progress of the projects in each programme. This is then reported up to the Transformational Board and the LSB.</p> <p>Programme Office has adopted the corporate risk assessment methodology and Strategic Programme Managers report the Programme risk registers to the Programme Boards. Projects also have their own risk registers. The registers report risks which may impact upon delivery of objectives, and identify mitigating actions taken to control these risks.</p> <p>Scrutiny challenge and feedback sessions have been held on progress made so far, this has been reported using the Performance Evaluation Grids.</p>	David Powell	Cllr Barry Thomas	<p>Continue to improve the reporting process to make the One Plan and what we're achieving 'more visible'. This transparency leads to clearer lines of accountability and responsibility, which in turn will lead to greater success and delivery of objectives.</p> <p>PCC and PtHB Programme Office' have been aligned and will continue to meet and share experience between teams. This will strengthen the programme management process and support the delivery of the programmes.</p> <p>Continue with monitoring of progress on the programmes and projects within the programmes via project and programme boards.</p> <p>Regular meetings between Programme Sponsors and Strategic Programme Managers, to identify and unblock any issues that arise.</p> <p><u>17/12/15</u> A number of projects within the Powys One Plan are due to be completed beyond April 2017, due to various dependencies including WG funding. Due to a 'gap' between the meetings of the LSB and the Public Service Board (which will replace the LSB), it may be appropriate to continue and maintain monitoring of these projects beyond 2017.</p>	M	M	Medium	4	
CR5	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Lack of management of the procurement process within services.	Inadequate contracts and contract management exposing the authority to financial and reputational risk	H	M	Medium	6	<p>E-Learning 'Commissioning: The Fundamentals Level 1' training course has been developed, is available and being used, and is aimed at all those employees who undertake some purchasing / ordering / buying and may undertake some commissioning. Level 1 training must be completed before anyone proceeds onto the Level 2 taught course.</p>	David Powell	Cllr Graham Brown	<p>It is planned to provide key messages around Commissioning to all Powys County Council employees via NetConsent.</p> <p>The content of and targeted audience for 'Commissioning: The Technicalities Level 2' taught training course is currently being discussed with external providers and a specification is being developed.</p> <p>Visibility of the contracts register.</p> <p>Introduction of Commissioning Toolkit and Gateway process to ensure that a member of the Commercial Services team is applied to each project</p>	M	M	Medium	4	Updated at RMT 10/12/15

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Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
CR6	21/11/2012	Risk Register 21/11/12 12.90	Corporate	Lack of adequate resilience planning	Non-compliance with Civil Contingencies Act (CCA) 2004; Failure to deliver critical services in the event of a declared emergency or event.	M	H	Medium	6	Education and training programme delivered to services; Business Continuity Management (BCM) Group established and meets quarterly; Services supported to produce their own Business Continuity Plans (BCPs); Self-evaluation of BCM incorporated into SIP process; PCC Emergency Planning Dept works with Dyfed Powys Local Resilience Forum (LRF) to ensure CCA 2004 Compliance; 24/7 Duty Emergency Planning Officer to facilitate PCC response.	David Powell	Cllr John Powell	Continual engagement with BCM Champions via quarterly Business Continuity Group; Services to continue to develop and test their BCPs; External Education and Training with LRF Partners to ensure Integrated Emergency Management (IEM).	L	M	Low	2	Updated 25th February 2016
<b>IT IS PROPOSED TO REMOVE THE RISK BELOW AS PROCEDURES ARE IN PLACE TO ENSURE THE LEVEL OF RISK TO THE COUNCIL IS AT A MINIMUM LEVEL</b>																		
CR7	21/11/2012	Risk Register 21/11/12 12.94	Corporate	Inadequate registers/ notifications of items requiring statutory testing provided to the compliance team.	Regulations not met; Financial Penalties; Corporate Manslaughter.	H	H	High	9	The statutory testing team maintain a register of plant, equipment and buildings that require testing, and the timetable for testing these items. This register then forms their work programme.	Paul Griffiths	Cllr Avril York		L	H	Medium	3	
<b>THE RISK BELOW IS TO BE REMOVED AS IT WAS AGREED AT RESOURCES MANAGEMENT TEAM 25TH FEBRUARY 2016 THAT THIS IS NO LONGER A RISK TO THE COUNCIL</b>																		
CR9	21/11/2012	Risk Register 21/11/12 12.95	Corporate	Inadequacy of Absence Management process	Failure to provide service to a satisfactory standard.	H	L	Medium	3	New Absence Management Policy; Pro-active work plan in place which is supported by HR; Monthly targets reported to HoS.	David Powell	Cllr Phil Pritchard	Maintain position of low absence rate and continue to reduce the risk by managing interventions; Raise awareness across Management Teams.	M	L	Low	2	Robust processes in place makes this a low risk. Updated at RMT 10/12/15.
CR10	21/11/2012	Risk Register 21/11/12 12.97	Corporate	Failure to monitor and protect Council assets	Theft and abuse of Council property	H	M	Medium	6	Each service should have it's own asset register. All ICT equipment should be recorded on the ICT asset register.	David Powell	Cllr Barry Thomas	Ensure that all services have their own asset registers in place; Incorporate into Starters and Leavers process.	M	M	Medium	4	
PL1	Prior to 2014	SIP	Highways, Transport & Recycling	Failure to ensure Health and Safety of public and workforce	Injury to individual employees and risk to the Authority; People could be seriously or fatally injured; Exposure to litigation.	H	H	High	9	Health and Safety meetings, revenues, training and audit; Public liability insurance; Procurement - external contractors risk statements - monitoring.	Paul Griffiths	Cllr John Brunt / Cllr John Powell	Continually review robust site supervision and monitoring processes internally and externally with contractors;	M	H	Medium	6	

Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
ICS1	Prior to 2014	SIP.ICT.?	Information and Customer Services	ICT Disaster Recovery	Failure to maintain key ICT services in the event of a major incident.	M	H	Medium	6	PCC have been working closely with Microsoft and Platform Consultancy to explore utilising the latest cloud services, to provide both a backup solution and disaster recovery solution. This will provide PCC with the ability to instantly power up all replicated servers in the cloud.  06/01/2016 Project in place. Critical services have been identified from Service BCPs to identify criticality of applications for prioritisation.	David Powell	Cllr Phil Pritchard	Microsoft Data Protection Manager will perform nightly backups to on-site storage, this backup data will then replicate into Azure blob storage as an off-site back for long-term storage. We are currently investigating a second link with BT Global Services. The link will be from a second site within the North of the County (different power grid) to replicate systems. Replacement of existing systems. The above are incorporated into objective ICT5 in ICT and Programmes 2016-19 SIP.  Fire prevention for server rooms - remedial works to be completed by end of March 2016.  New systems which are purchased must have cloud hosting capability.	L	H	Medium	3	The cloud extension suite will enable PCC to replicate the on-site virtual server environment and compatible physical server environment into Azure.  This work will reduce the level of risk in terms of virtualised systems, however a risk will remain in respect of physical systems. This risk will be mitigated by the replacement of existing systems.
RPC6	Prior to 2014	SIP.PPP.V1	Regeneration, Property & Commissioning - Environmental Health	Liabilities arising from closed landfill site portfolio	Significant pollution incident resulting in prosecution. Legal challenge from NRW / land owners.	H	H	High	9	We have two specialist Contaminated Land Officers who will seek external legal advice when appropriate, and work closely with Natural Resources Wales.	Paul Griffiths	Cllr John Powell		M	H	Medium	6	
RPC6	Prior to 2014	SBP 2014/17	Regeneration, Property & Commissioning - Spatial Planning	Failure to adopt the LDP	Reputational damage to the Council and a period when the Council would determine planning applications in accordance with material planning considerations rather than an adopted development plan; Financial implications.	H	H	High	9	There has been close working relationships with WG officers. However, recent correspondence suggests they consider the Plan may be unsound.	Paul Griffiths	Cllr Avril York	Meeting with WG; Appointing legal support to argue our issues at examination in summer 2016.	H	H	High	9	
RPC8	2014	SBP 2014/17	Regeneration, Property & Commissioning	The property disposals programme may not realise the expected returns on time.	Other developments which depend upon them cannot be supported.	M	H	Medium	6	Regularly revise progress on list of disposal sites/ buildings and feed this in through the corporate Cost Improvement Group / Income Project Board, as well as the property projects; The Strategic Assets Board meets quarterly.	Paul Griffiths	Cllr Barry Thomas	The policies and procedures reflect adequate internal control arrangements, monitoring and effective authorisation and scrutiny.	M	M	Medium	4	

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Risk Reference	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
						P	I	Risk Rating						P	I	Risk Rating		
RPC12	11/12/2015	HoS	Regeneration, Property & Commissioning	We have identified CE1M of urgent health and safety works (electricals, sewerage systems, asbestos etc.) that need to be undertaken on the 139 Farm Houses in our estate.	Potential threat to life	H	H	High	9	£500k capital has been identified to start works in 2016/17.	Paul Griffiths	Cllr John Powell	Further report to Cabinet in May 2016 when the full position of works required is known. Rolling programme of works	L	H	Medium	3	
SS1	13/01/2015	SMT	Schools Service	Non delivery of the Schools Transformation Programme	Infrastructure which is not contributing to the Authority's efficiency agenda, and leading to poor educational outcomes	H	H	High	9	Added capacity now in place; ODP Programme defined; Revised governance around 21st Century Schools in place; Revised Schools Transformational Policy approved by Cabinet December 2015; New structure in place; Transformation funding provided for additional resource as and when required; Programme reports to Cabinet; Regular policy and procedure legal checks required.	Jeremy Patterson	Cllr Arwel Jones	A number of primary Schools have been identified for review under the Powys Schools Transformation Policy (Nov 2014) and we are in discussions with individual schools. Detailed Reports will follow to Cabinet in due course; Further discussions with WG about our capital programme; Formal consultation will commence during Spring term on a number of primary schools.	M	H	Medium	6	
CR14	13/01/2015	SMT	Corporate	Condition and security of buildings and premises.	<ul style="list-style-type: none"> <li>Breach of Equalities legislation;</li> <li>Failure to comply with H&amp;S legislation;</li> <li>Failure to be able to provide services in a suitable way to the public, and accommodation which is suitable for staff.</li> </ul>	M	H	Medium	6	Strategic review of office accommodation in progress.  Schools Review of Special Schools; 21st Century Schools Programme (prioritised according to pupil vulnerability); A new Schools Service Major Improvement Programme Scoring and Prioritisation criteria was agreed by Cabinet 3/3/15, and it was also agreed a spend of £1m per year for the next three years.	Jeremy Patterson	Cllr Barry Thomas	Strategic Outline Plan for 21st Century Schools and Capital Investment Programme.	L	H	Medium	3	Updated 25/01/16 - incorporates SS4
CR15	25/01/2016	PCC Welfare Reform Advisory Group	Business Services	The roll out of Universal Credit has likelihood of large impact on Powys citizens.	Customers having less income; Customers needing support to adjust; Resilience of service to continue to provide additional service as UC increases; In subsidy audit potential penalty imposed.	V	M	High	8	Provide financial advice. Administer discretionary housing payments (DHP) to people who are unable to manage their housing costs (WG allocated fund); Steering Group chaired by Portfolio Holder; Communication and money advice to support people.	David Powell	Cllr Wynne Jones	Using Powys data to be able to map and model customers within Powys who are going to be affected the greatest to provide advice and support to avoid them getting into debt; Using Shire meetings to notify members.	H	L	Medium	3	Universal Credit will replace the following: - <ul style="list-style-type: none"> <li>Jobseeker's Allowance;</li> <li>Housing Benefit;</li> <li>Working Tax Credit;</li> <li>Child Tax Credit;</li> <li>Employment and Support Allowance;</li> <li>Income Support.</li> </ul>

Total 141

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# Risk Assessment Matrix

## 1. Impact:

RISK CATEGORY	RISK TYPE	RISK IMPACT (Severity)			
		Low	Medium	High	Catastrophic
FINANCIAL	<b>Financial</b>				
	Reinstatement following loss / compensation & costs / economic losses / bad lending / VAT errors / fraud / fines	<£250,000	£250 - £750k	£750k - £2m	>£2m
HAZARD	<b>Casualty</b>				
	Employee &/or Public Injury / ill-health	Minor Injuries / temporary ill-health	Ill health / disabling injuries	Single fatality	Multiple fatalities
	<b>Environmental</b>				
	Recovery/remediation time	< 1 week	1 week – 1 month	1 - 12 months	> 1 year / recovery impossible
	<b>Hazard</b>				
	Maladministration / Improvement notice / legal proceedings / Enforcement notice	Low	Medium	High	Catastrophic
OPERATIONAL	<b>Operational</b>				
	Prevention of service efficiency	Low	Medium	High	Catastrophic
	<b>Procurement / Contract / Project Failure</b>				
	Additional costs / cost over-run / delays to completion	Greater of 5% or £250k	Greater of 5-25% or £250- £70k	Greater of 25 - 50% or £70k - £2m	Greater of 50 – 100% or > £2m
	<b>Service Provision (Interruption)</b>				
	Health / Education / Key Service	1- 6 days < 1 month	1 week–1month 1-3 months	1 – 6 months 3 - 12 months	> 6 months > 1 year
	Support / Administration / Leisure				
STRATEGIC	<b>Reputation</b>				
	Adverse / critical comment / Ombudsman Investigation / ICO Investigation	Ward/Village	Local Media	Welsh Media	National Media
	Prosecution/punishments			Disqualification	Imprisonment
	<b>Strategic</b>				
	Failure to achieve corporate objectives	Low	Medium	High	Catastrophic

## 2. Probability:

PROBABILITY	Definition
Low	Not likely to happen or may happen once every 20 years
Medium	Possible or may happen within 10 years
High	Likely or may happen once a year
Very High	Certain or happens several times a year

## 3. Risk Profile:

PROBABILITY	Very High (4)	Medium (4)	High (8)	High (12)	Very High (16)
	High (3)	Medium (3)	Medium (6)	High (9)	High (12)
	Medium (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Low (1)	Low (1)	Low (2)	Medium (3)	Medium (4)
		Low (1)	Medium (2)	High (3)	Catastrophic (4)
		<b>IMPACT</b>			

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



# A22-2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

15<sup>th</sup> April 2016

**REPORT AUTHOR:** Professional Lead for Finance

**SUBJECT:** The Holding and Use of Reserves

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**REPORT FOR:** Information and Comment

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## 1. Introduction

- 1.1 Welsh Government issued a document on January 2016 “Scrutiny of Local Authority Holding and Utilising of Reserves” which was a guidance document for Elected members in their scrutiny role. The document was submitted to this Committee on the 5<sup>th</sup> February, 2016.
- 1.2 Audit Committees should provide assurance about financial control to mitigate key risks and that the Council has effective financial management arrangements.
- 1.3 The Committee requested that they be provided with information to assist in the development of their scrutiny role with regard to Reserves.
- 1.4 This report updates the Committee on the work that has been undertaken in relation to Reserves and provides information to further assist them in scrutinising the holding and use of Reserves by the Authority.
- 1.5 The reserves held by the Authority as at the 31<sup>st</sup> March 2015 as reported in the Statement of Accounts in the Movement in Reserves Statement are attached as Appendix A.

## 2. Reserves Policy

- 2.1 As part of the Cabinet’s overall approach to financial planning within a 3 year time horizon it received a report on the 11<sup>th</sup> December from which they approved a Reserves Policy for the Council. (The Report and Policy are attached)
- 2.2 The Policy establishes the framework within which decisions will be made regarding the level of reserves held by the Council and the purposes for which they will be maintained.

2.3 Reserves are treated as corporate reserves with the exception of the Housing Revenue Account Reserve and Schools (Delegated) Reserves. In 2014 the Council rationalised the reserves held. This was to address a potential risk from reserves designated as ‘service held reserves’, which included both surplus and deficit reserves. These were discontinued and except for a few “truly specific” reserves balances were cleared and transferred to the General Reserve. This has brought greater transparency.

### 3. Financial Indicators for Reserves

3.1 It should be noted that the holding of reserves is a matter for each authority to determine as part of sound financial management. However it is useful to refer to Financial Indicators based on ratios produced by Welsh Government, these indicators provide comparative statistics for Local Authorities and include the following on Reserves:-

- Useable Reserves as % of Gross Revenue Expenditure
- Earmarked Reserves as % of Gross Revenue Expenditure
- General Reserves to Gross Revenue Expenditure (days)

	Powys <sup>1</sup>	All Wales Average <sup>1</sup>
Usable reserves as % of gross revenue expenditure	16%	17%
Earmarked reserves as % of gross revenue expenditure	8%	12%
General reserves days turnover	13.4 days	10 days

<sup>1</sup>Local Authority Financial Indicators, Wales 2014/15

#### 3.2 Usable reserves as a percentage of gross revenue expenditure

This indicator measures the relationship between an authority’s usable reserves and its annual gross revenue expenditure. This excludes those reserves which are restricted for use by the authorities (i.e. HRA balances, schools balances and capital grants unapplied). Those reserves included in the indicator are:-

- General or Unallocated Reserves
- Capital Receipts Reserves
- Earmarked Reserves.

A high percentage suggests high levels of reserves relative to its expenditure levels. The next two indicators provide an indication of whether this is a result of high levels of reserves being held for general or earmarked purposes, or both.

The average for Wales in 2014/15 was 17%, nine authorities had a % greater than 20%. Powys is 16%.

### 3.3 **Earmarked reserves as a percentage of gross revenue expenditure**

This is an indication of reserves increasing proportionately more than gross revenue expenditure or vice versa.

Councils with very high levels of earmarked reserves relative to their spending should review the purposes for which these are held to ensure they are still required. The purpose for holding reserves, particularly where reserves are increasing, should be clearly communicated in presentation to the Council and through the annual accounts.

The average for Wales in 2014/15 was 12%, seven authorities had a % greater than 15%. Powys is 8%.

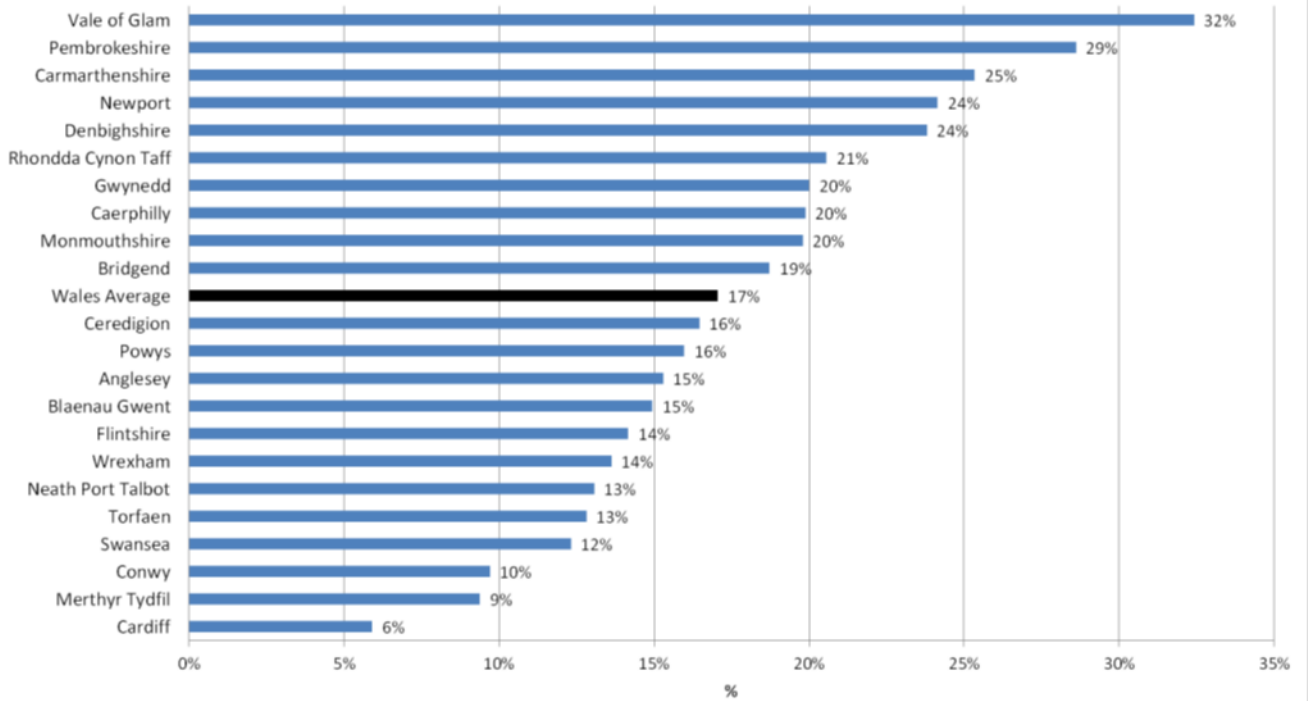
### 3.4 **General reserves days' turnover**

This measures the number of days an authority would have of financial cover if it needed to utilise solely general reserves to fund day to day expenditure. Usually this is shown as a percentage but number of days can provide a clearer way of showing the reserve cover. Where the cover is high will indicate that an Authority has a low risk strategy. Conversely a low coverage suggests a higher risk strategy. This may be through choice or due to a lack of other funds.

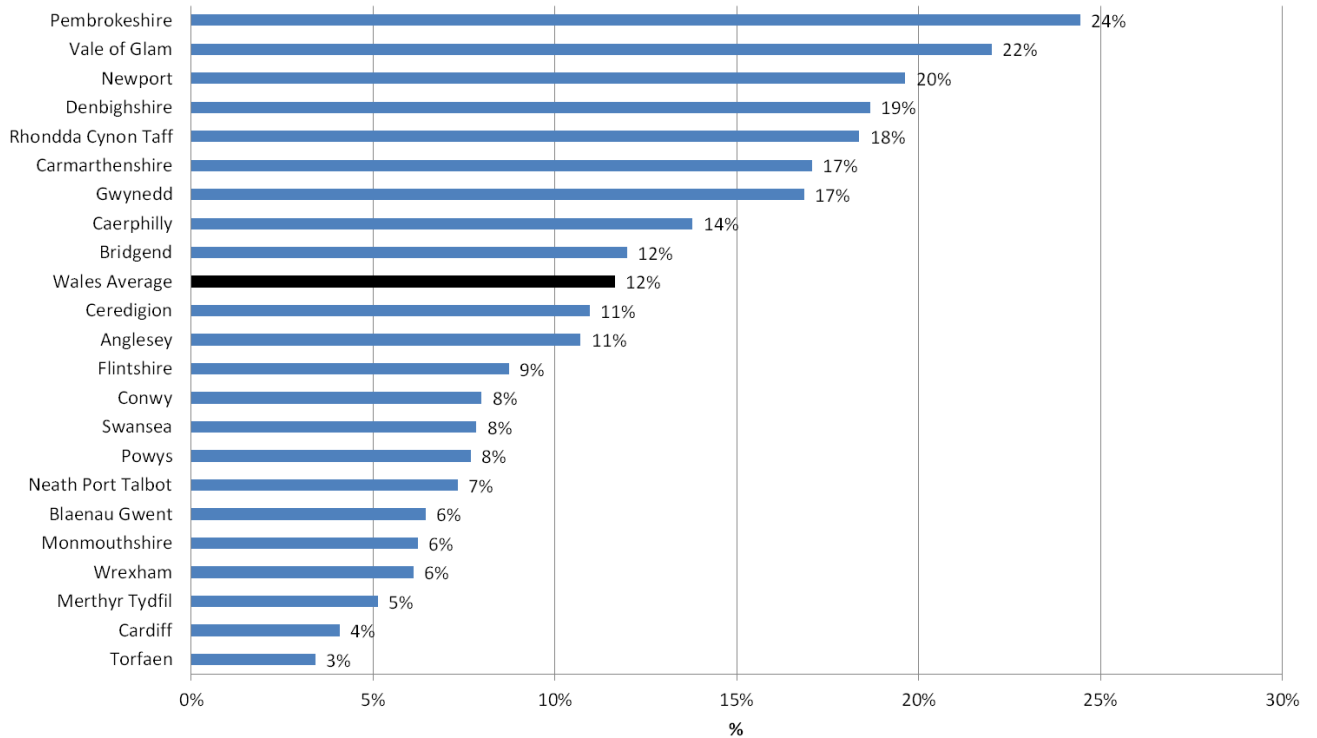
The number of days turnover covered by unallocated reserves for Wales in 2014/15 was 10. Three authorities had more than 15 days turnover cover. Powys is 13.4 days.

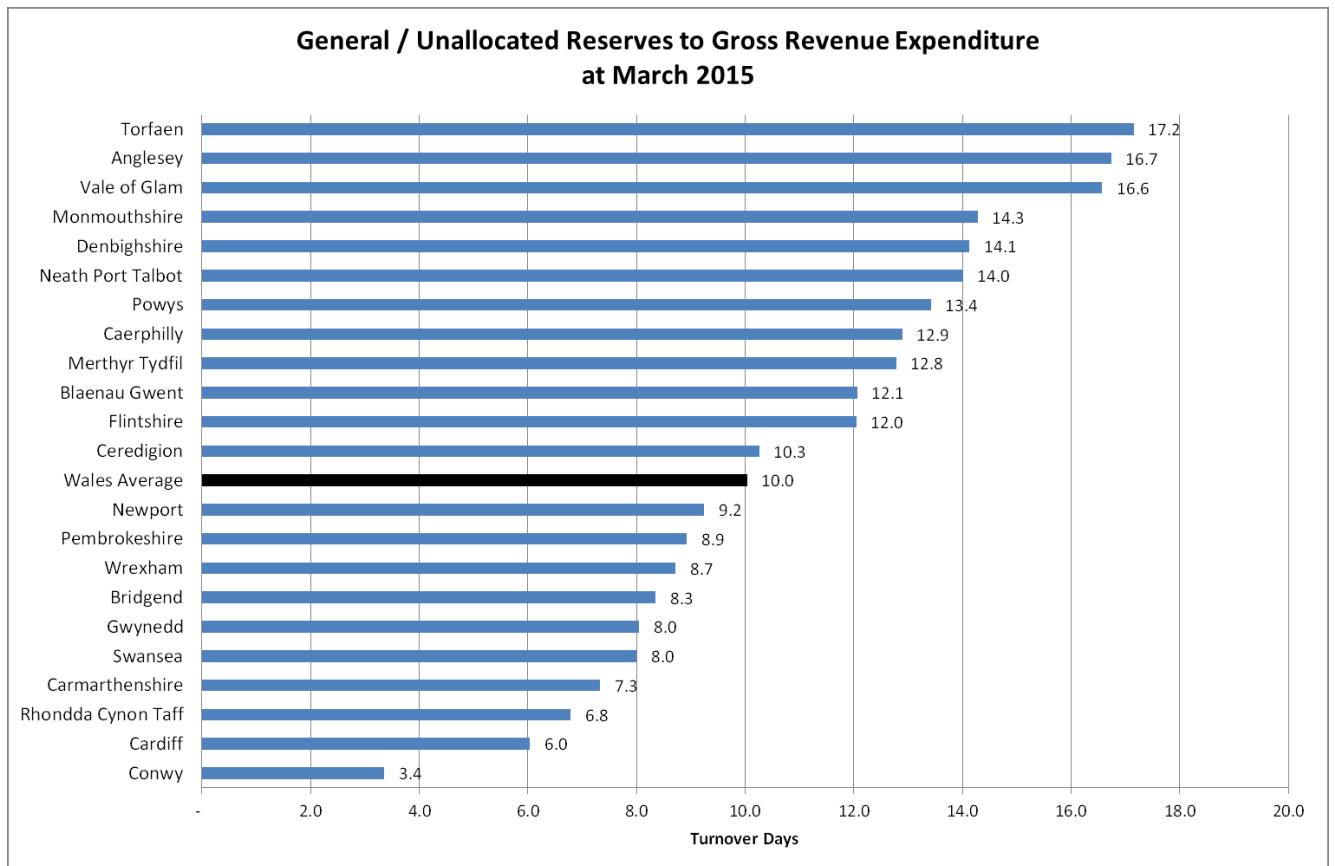
### 3.5 The tables included within the report are provided below.

**Reserves to Gross Revenue Expenditure  
(excluding HRA, Schools, Unapplied Grants & Group Reserves)  
at March 2015**



**Earmarked Reserves to Gross Revenue Expenditure  
at March 2015**





#### 4. Budget Setting Assessment of Reserves

4.1 The policy requires that reserves are reviewed at part of the budget setting process and a risk assessment was carried out in January 2016. The following was included within the Budget setting report.

#### 6.0 Reserves

6.1 *The Reserves Policy was approved by Cabinet on the 11<sup>th</sup> December 2015. The policy establishes a framework within which decisions are made regarding the level of reserves held by the Council and the purposes for which they will be maintained and used.*

6.2 *The use of reserves and the levels at which they are maintained is determined on an annual basis as part of the Councils Budget setting process.*

6.3 *The level of reserves held and their forecast use in 2015/16 is reported monthly to Cabinet as part of the budget monitoring report and the table below reports the opening and projected balance of the reserves held.*

<b>Summary</b>	<b>Reserves 01/04/15 Surplus/ (Deficit)  £'000</b>	<b>Forecast Addition / (Use) of reserves  £'000</b>	<b>Projected 31/3/16 Surplus/ (Deficit)  £'000</b>
<b>General Fund</b>	8,988	21	9,009
<i>Projected Overspend</i>	0	(3,227)	(3,227)
<i>Projected Overspend - Schools Delegated Other</i>	0	(436)	(436)
	<b>8,988</b>	<b>(3,642)</b>	<b>5,346</b>
<b>Ringfenced &amp; Specific Reserves</b>			
<i>Budget Management Reserve</i>	2,019	0	2,019
<i>Specific Reserves</i>	1,516	64	1,580
<i>21st Century Schools Reserve</i>	6,916	(2,040)	4,876
<i>Invest to Save &amp; Corporate Initiatives (inc JE)</i>	9,355	(1,108)	8,247
<i>Insurance Reserve</i>	2,188	0	2,188
<i>Transport &amp; Equipment Funding Reserve</i>	3,028	(3,146)	(118)
<b>Sub-Total</b>	<b>25,022</b>	<b>(6,230)</b>	<b>18,792</b>
<i>Schools Delegated Reserves</i>	3,604	(2,048)	1,556
<i>School Loans &amp; Other Items</i>	(521)	50	(471)
<i>Projected Underspend</i>	0	657	657
<b>Net School Delegated Reserves</b>	<b>3,083</b>	<b>(1,341)</b>	<b>1,742</b>
<b>Total Ringfenced &amp; Specific Reserves</b>	<b>28,105</b>	<b>(7,571)</b>	<b>20,534</b>
<b>Housing Revenue Account</b>	3,832	(3,495)	337
<i>Projected Underspend</i>	0	(88)	(88)
	<b>3,832</b>	<b>(3,583)</b>	<b>249</b>

<b>Total Revenue Reserves</b>	<b>40,925</b>	<b>(14,796)</b>	<b>26,129</b>
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1. *School delegated reserves are split out to show reserves position under budget funding arrangements as some items are not yet recorded in the financial ledgers. This is intended to show the reserves as if the accounts were shut down at the end of this period.*

- 6.4 *A risk based assessment has been carried out to review the level of reserves held and to assess if this level is appropriate when tested against the budget proposals. The strategy identified in last year's budget to replenish these reserves has been subject to review as part of the process.*
- 6.5 *The 2015/16 budget included the replenishment of reserves previously used to fund the wind farm appeals and the temporary use of reserves to balance the budget. In addition a further £500k was set aside to contribute to the General Fund Reserve to assist in increasing the reserve up to the desired level of 3% of net budget.*
- 6.6 *The level of reserves held has been reviewed and due to the increasing financial pressure faced by the Council it is proposed that the replenishment of the reserves is delayed. This can be accommodated without increasing the risk to the Council.*
- 6.7 *The profiling of pressures and savings over the life of the 3 year plan result in an unbalanced budget for 2016/17, in order to balance this year it is proposed that £500k is drawn from the Budget Management Reserve to produce a balanced budget. The Budget Management Reserve was put in place for this purpose and its use is appropriate. It is important to note this is not a use of the general fund reserve.*
- 6.8 *Reserves previously set aside to support the Capital Programme will continue to be used in 2016/17, namely the 21<sup>st</sup> Century Schools Programme and the Transport and Equipment Fund.*

## **5. Monitoring of Reserves**

- 5.1 Reserves are reported monthly within the general budget monitoring, the balances held, budgeted use and forecast use of reserves are all reported in the monthly report to Cabinet.
- 5.2 The Budget Scrutiny Panel are also provided with information on the levels and use of Reserves to enable them to fulfil their scrutiny role.

## **6. Questions to help Elected Members**

- 6.1 A list of questions were included in the Welsh Government Guidance for Elected Members – Scrutiny of Local Authority Holding and Utilising of Reserves. These questions together with answers are provided below.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p>That the Committee discuss and comment on the report.</p> <p>That the Committee receive a further report updating the reserves position after the accounts for the financial 2015/16 are finalised.</p>	<p>Audit Committees should provide assurance about financial control to mitigate key risks and that the Council has effective financial management arrangements.</p>

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk

**Background Papers used to prepare Report:**

Welsh Government Guidance for Elected Members – Scrutiny of Local Authority Holding and Utilising of Reserves

Welsh Government – Local Authority Financial Indicators, Wales

Powys' Statement of Accounts 2014/15

Council Budget Papers – 25<sup>th</sup> February 2016



Question	Response
<b>How much is held in reserves</b>	
<p>1. How much does the council have in its reserves – in cash terms and relative to spending?</p> <p>• How do total reserves compare with those held by councils facing similar circumstances?</p>	<p>At 31<sup>st</sup> March 2015, the council held £56.066m in usable reserves. This consists of: -</p> <ul style="list-style-type: none"> <li>• General Balances of £11.007m;</li> <li>• Earmarked Reserves of £26.085m;</li> <li>• HRA Reserves of £3.833m;</li> <li>• Capital Receipts Reserve of £13.804m;</li> <li>• Capital Grants Unapplied of £1.337m.</li> </ul> <p>The Council's gross expenditure in 2014-15 was £299.293m. (Gross expenditure used by WG for Statistical analysis defines this as "total LA expenditure on all services, plus debt financing, but net of any income from sales, fees, charges and other non grant income. Fire and National Park levies are excluded.")</p> <p>Each Council's circumstances are different but this council's percentage of General Balances compared to the net revenue expenditure is higher than average in comparison to other similar Councils within Wales, whilst the level of Reserves is slightly below average.</p> <p>The latest information available shows the level of the Council's general balances are higher than the average of similar Councils within Wales, whilst the level of Reserves is slightly lower. For general balances, the percentage held is 4.7% compared to an average of 3.4%. For reserves, the percentage held is 23.7% compared to an average of 24.7%.</p> <p>Whilst benchmarking provides useful information, each council's circumstances are different and although some financial risks will be the same, others will be specific to that council.</p> <p>Conclusion: The council does carry out comparisons with other councils. The latest information shows that this council holds a higher percentage of general balances and slightly lower percentage of reserves compared to similar Councils. This is consistent with the previous two year's information.</p> <p>This council is maintaining reserves at a prudent level due to inflation and spending pressures from increasing regulation and an ageing population.</p>
<p>2. How have reserves changed in recent years – in cash terms and as a percentage of spending?</p>	<p>Over the last three years, the level of reserves has decreased. Total usable reserves were £62.220m at 31<sup>st</sup> March 2013, £61.662m at 31<sup>st</sup> March 2014 and £56.066m at 31<sup>st</sup> March 2015.</p> <p>The Movement In Reserves Statement provides further breakdown of the reserves and is attached.</p>

<ul style="list-style-type: none"> <li>• How do changes compare with those made by councils facing similar circumstances?</li> </ul>	<p>As noted in response to question 1, the council holds a slightly lower than average percentage held in reserves compared to other similar councils.</p> <p>The pattern of decrease does not compare with other similar County Councils.</p> <p>Conclusion: The amount held in reserves has decreased over the last three years. However, the use of reserves are regularly reported to Members.</p>
<p><b>What reserves are held for</b></p>	
<p>3. What are the risks or future spending plans for which the council is holding reserves?</p>	<p>The council holds reserves so that it can meet unforeseen expenditure and to smooth expenditure across financial years. This is recognised good financial management.</p> <p>The council holds reserves for the following unforeseen expenditure: -</p> <ul style="list-style-type: none"> <li>• Disasters such as severe flooding, hurricane damage, etc. Central Government may provide some grant using the Bellwin rules but the council would be expected to fund some costs in fulfilling its statutory obligations;</li> <li>• Departmental overspends which may arise due to increased demand for services or the inability to achieve planned budget savings;</li> <li>• The anticipated further reductions in government funding;</li> <li>• Invest to Save projects, where the service pays back the reserve over an agreed number of years;</li> <li>• Equal pay claims;</li> <li>• Uninsured risks where it is not economical or practical to purchase external insurance cover</li> <li>• For weaknesses in the level of financial control within the council including the risks associated with companies, owned by the council, and partnerships with other bodies.</li> </ul> <p>The council also holds reserves to smooth expenditure across financial years to meet future spending plans. There are a number of different reasons for smoothing expenditure across financial years and some examples are set out below.</p> <p>One purpose is to maintain or improve service delivery. Examples of monies held in reserves for service delivery are replacement of equipment, investment in ICT, building maintenance, etc.</p> <p>Another reason for holding reserves is where the council has received grant funding in advance of incurring the expenditure and the funding needs to be carried forward to a future financial year to match the expenditure on a project or scheme.</p>

	<p>An example of a reserve held for a specific project is the 21<sup>st</sup> Century Schools reserve.</p> <p>In some cases reserves are held for a specific risk. This is to ensure the council minimises the impact on front line services should it be faced with a financial loss.</p> <p>Conclusion: The council's risks and future spending plans have been considered in setting the level of reserves.</p>
<p>4. What proportion of reserves is:</p> <ul style="list-style-type: none"> <li>• Held to cover short-term financial risk?</li> <li>• Held for medium and long-term risks or spending plans?</li> <li>• Ring-fenced monies that can only be used for specific purposes?</li> <li>• Specific reserves insurance?</li> </ul>	<p>Using the balances at 31<sup>st</sup> March 2015: -</p> <p>20%, this is the General Balances reserve;</p> <p>59%, which consists of earmarked reserves and capital receipts, except schools balances, insurance and specific reserves;</p> <p>12%, which consists of reserves held for HRA and schools balances;</p> <p>9%, specific to service areas and insurance.</p>
<p>5. Are the levels of the council's different reserves appropriate to the risks it faces and the scale of its future spending plans?</p>	<p>The level of each reserve is informed principally by an assessment of the level of financial risk to which the council is exposed and/or an assessment of the role of the reserve in supporting future spending plans.</p> <p>When members consider the budget, the Strategic Director – Resources has undertaken a full risk assessment of all reserves and advises on whether they are appropriate and adequate to the risks they are intended to cover.</p> <p>For example, when a risk decreases, such as with Equal Pay, it is possible to reduce the balance on the reserve as time passes and transfer the funds to the general reserve.</p>
<p>6. How is the need for reserves determined?</p> <ul style="list-style-type: none"> <li>• At what point(s) in the financial year is the need for reserves assessed?</li> <li>• When was the need for reserves last reassessed?</li> </ul>	<p>The Council's Reserves Policy approved by Cabinet in December 2015 sets out the factors that are taken into account in assessing the level of reserves. In summary an assessment is made of the financial commitments and risks that require funding to be aside in order to ensure that the county council is financially sustainable.</p> <p>Members consider the need for reserves when the budget is set in January; as part of monthly financial reporting to Cabinet during the year and when the outturn for the financial year is known. Reserves are subject to continual review.</p> <p>The level of reserves held was last assessed in January 2016 as part of setting the 2016-17 budget and Medium Term Financial Plan. The budget report included a section on Reserves, the level held and proposals for their use.</p>

<b>Contingency funds</b>	
7. Apart from reserves, what, if any, funds does the council hold, corporately or within service budgets, to provide protection against unplanned costs?	<p>The Council approved at budget setting this year to hold a revenue contingency budget of £300k in 2016/17 increasing by £200k in future years</p> <p>Heads of Service are expected to manage their services within the delegated budgets approved by county council. If unplanned costs arise, Heads of Service and budget holders are expected to consider how they mitigate these costs from underspends in other areas of their budget, or by other means.</p>
<b>The relationship between reserves and council tax</b>	
8. Is the interaction between spending, income, movements on reserves and council tax clear to elected members and the public?	<p>The annual budget report makes specific reference to the level of reserves, the possibility of reducing reserves and when necessary the need to increase reserves. This is based on a financial risk assessment taking into account spending, income and council tax.</p> <p>Conclusions: Elected members and the public are given a clear explanation of the interaction between spending, income, movements on reserves and council tax.</p>
<b>Unplanned movements on reserves</b>	
<p>9. In each of the last three years, what difference has there been between the movements on reserves the council expected when setting its budget and the movements that occurred when closing the accounts (as a percentage of spending)?</p> <ul style="list-style-type: none"> <li>• How much of the variation was the result of factors within the council's control?</li> <li>• What can the council learn to improve the accuracy of future budget projections and financial management?</li> <li>• Are any adjustments needed to correct unplanned movements on reserves?</li> </ul>	<p>Please refer to <b>Table 1</b> at the end of the questions which shows the budgeted position on reserves compared with the actual.</p> <p>The amount of control the Council has on reserves depends upon the nature of the reserves.</p> <p>The movement on General Balances between the budget and outturn reflect Member decisions regarding the use of in year underspend. Some of those decisions are made as part of setting the budget and then reflected in monitoring reports for the remainder of the financial year. Other decisions on the use of reserves are actioned through the virement process during the year.</p> <p>The trend for non-schools reserves is to increase between the January budget and the final outturn position in June. There are a number of reasons for this, including changes in the timing of using reserves, Members budget decisions to carry forward underspends from one financial year to the next, increases in underspends and more up to date information regarding the need for provisions.</p> <p>Schools reserves are mainly subject to decisions made by schools in accordance with the local management in schools arrangements and the Council has limited influence over their decisions. Although the Council has robust reporting processes in place, decisions on how schools funds are utilised are made by schools governors.</p>

	<p>When there have been significant movements in the level of reserves, these are planned and Members are involved in the decision making. As financial resources continue to be reduced there is a need to ensure that more emphasis is placed on managing budgets and resources are being used effectively.</p> <p>Members and the Strategic Director – Resources continually review the levels of reserves. Adjustments are made to reserves when risks or circumstances change e.g. as part of the budget setting process.</p>
<p><b>Information for decision making</b></p>	
<p>10. Does advice from the chief finance officer on the adequacy of reserves make clear what reserves are needed and why?</p>	<p>The Council’s Reserves Policy sets out the objective of holding provisions and reserves.</p> <p>The purpose of each reserve held is set out in the Council’s Financial Statements.</p> <p>Any proposed changes to the level of reserves are reported to Cabinet either as part of the budget setting process or within the monthly financial reports.</p>
<p>11. Do elected members need any additional support to make informed decisions on the level of reserves?</p>	<p>Members receive professional advice from the Strategic Director – Resources, as required by the Local Government Act 2003, when making decisions on the adequacy of reserves.</p> <p>In addition, the External Auditor, when reporting on auditing of the Council’s Financial Statements, has the opportunity to raise with members any concerns regarding the adequacy of reserves.</p> <p>To date, members have not identified or requested the need for additional support when making decisions on the level of reserves.</p>

Table 1

<b>Budgeted v Actual Outturn position on Revenue Budget</b>			
	2012/13	2013/14	2014/15
Budgeted Use of Reserves All Services Transfer (From)/ to schools and HRA	£3.319	(£2.761)	(£10.666)
Budgeted Use of Reserves All Services (excl Schools & HRA) Transfer (From)/ to	£0.258	£2.590	(£4.286)
	£3.577	(£5.351)	(£6.379)
Under/(over)spend against Budget All Services schools and HRA	£6.534	£1.941	£3.392
Under/(over)spend against Budget (excl Schools & HRA)	£4.427	£1.477	£1.373
	£2.107	£0.464	£2.019
Net Transfer (from)/to Reserves All Services schools and HRA	£9.853	(£0.820)	(£7.273)
Net Transfer (from)/to Reserves All Services (excl Schools and HRA)	£4.685	£4.068	(£2.913)
	£5.684	(£4.887)	(£4.360)
Budgeted Use of Reserves = Use of reserves budgeted at beginning of year plus changes approved during the year.			

	Council Fund	Earmarked Reserves (Note 8)	HRA	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 26)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2013</b>	<b>13,144</b>	<b>27,846</b>	<b>8,023</b>	<b>11,451</b>	<b>1,756</b>	<b>62,220</b>	<b>110,176</b>	<b>172,396</b>
<b>Movement In Reserves During 2013/14</b>								
Surplus Or (Deficit) On Provision Of Services	(10,897)	0	1,723	0	0	(9,174)	0	(9,174)
Other Comprehensive Expenditure And Income		0	0	0	0	0	176,293	176,293
Total Comprehensive Expenditure And Income	(10,897)	0	1,723	0	0	(9,174)	176,293	167,119
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	11,086	0	(2,690)	1,075	(855)	8,616	(8,616)	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	189	0	(967)	1,075	(855)	(558)	167,677	167,119
Transfers To/From Earmarked Reserves	(3,376)	3,255	0	123	(2)	0	0	0
Increase/Decrease (Movement) In Year	(3,187)	3,255	(967)	1,198	(857)	(558)	167,677	167,119
<b>Balance At 31 March 2014 Carried Forward</b>	<b>9,957</b>	<b>31,101</b>	<b>7,056</b>	<b>12,649</b>	<b>899</b>	<b>61,662</b>	<b>277,853</b>	<b>339,515</b>
<b>Movement In Reserves During 2014/15</b>								
Surplus Or (Deficit) On Provision Of Services	(11,642)	0	3,845	0	0	(7,797)	0	(7,797)
Other Comprehensive Expenditure And Income	0	0	0	0	0	0	35,414	35,414
Total Comprehensive Expenditure And Income	(11,642)	0	3,845	0	0	(7,797)	35,414	27,617
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	7,676	0	(7,068)	1,155	438	2,201	(2,201)	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	(3,966)	0	(3,223)	1,155	438	(5,596)	33,213	27,617
Transfers To/From Earmarked Reserves	5,016	(5,016)	0	0	0	0	0	0
Increase/Decrease (Movement) In Year	1,050	(5,016)	(3,223)	1,155	438	(5,596)	33,213	27,617
<b>Balance At 31 March 2015 Carried Forward</b>	<b>11,007</b>	<b>26,085</b>	<b>3,833</b>	<b>13,804</b>	<b>1,337</b>	<b>56,066</b>	<b>311,066</b>	<b>367,132</b>

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



# C236- 2015

## CYNGOR SIR POWYS COUNTY COUNCIL.

### CABINET EXECUTIVE 11<sup>th</sup> December 2015

**REPORT AUTHOR:** County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Reserves Policy

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**REPORT FOR:** Decision

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#### **1.0** Summary

- 1.1 The Council holds reserves so that it can meet unforeseen expenditure and to smooth expenditure across financial years. This is recognised good financial management. Reserves are also a key indicator of the Council's overall financial standing and a component of its financial management arrangements.
- 1.2 Reserves are an essential part of good financial management. They enable the Council to manage unexpected financial pressures and plan for future spending commitments.
- 1.3 It is important that the Council makes well-informed decisions about reserves, and are accountable for these to local taxpayers and service users.
- 1.4 While there is no universally appropriate level for Council reserves, the reserves held should be proportionate to the scale of future spending plans and the risks faced as a consequence of these.
- 1.5 In setting the annual budget, a further review of the level of reserves is undertaken, alongside any underspend in the current year, to make an assessment as to whether it is possible to release funding to support the following year's budget. That review is informed principally by an assessment of the role of reserves in supporting future spending plans.
- 1.6 When taking decisions on utilising reserves or not, it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending.
- 1.7 In addition to considering the level of reserves as part of the budget setting process and on-going financial management, a statement on the amount and purpose of reserves held is set out annually in the Council's Financial Statements.

## **2.0 Proposal**

- 2.1 To approve the Policy attached for the maintenance and use of Reserves. This policy will support the Annual Budget Setting process and the Medium Term Financial Strategy.
- 2.2 This policy has been produced to enable the Council to better manage the ongoing financial pressures, and to plan for future spending commitments.
- 2.3 Current arrangements commit to holding a budget management reserve. This is separate to the general fund reserve and exists to support the timing of the delivery of savings. Given the increasing financial challenge it is appropriate that a more strategic approach is taken to managing finances. The support provided by this reserve will be a matter for Cabinet to decide upon. In addition any overall underspend on the Council's annual revenue budget will be considered for transfer to the budget management reserve.

## **One Powys Plan**

The budget is developed within the framework of the Statement of Intent, a range of issues including community needs and resident's views, financial and inflationary pressures, performance and regulatory reviews from Welsh Audit Office, Estyn and CSSIW have all been considered. The resultant proposals are included in the plan, the council budget, and the One Powys Change Plan. This policy is an integral part of this process.

## **Options Considered/Available**

N/A

## **Preferred Choice and Reasons**

N/A

## **Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc**

The Policy will assist in the proper management and control of the Council's finances ensuring that the services delivered by the Council are appropriately funded.

## **Children and Young People's Impact Statement - Safeguarding and Wellbeing**

N/A

### **Local Member(s)**

N/A

### **Other Front Line Services**

All services areas contribute to the development of the annual budget and the Medium Term Financial Strategy.

### **Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

Finance have assisted in the development of the policy and will ensure that it is considered at budget setting and development of the Medium Term Financial Strategy.

Legal – The recommendation can be supported from a legal point of view

### **Local Service Board/Partnerships/Stakeholders etc**

The Policy supports the development of the Council's Budget and future medium term financial planning and therefore has implications for any related organisation.

### **Corporate Communications**

#### **Statutory Officers**

The Strategic Director Resources (Section 151 Officer) supports the adoption of the attached policy as an important part of the council's overall policy framework. There is evident that some local authorities have seen reserves depleted as a consequence of meeting the funding reductions forming part of the UK Government's deficit reduction programme. In order to meet statutory requirements an effective reserves policy is required.

The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report."

#### **Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
That Cabinet approves the Reserves Policy attached to the report.	That the level of reserves held and maintained by the Council is necessary and appropriate for the risk (both internal and external) to which it is exposed. And that reserves are a component of its financial management arrangements.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>N/A</b>	<b>Within Budget:</b>	<b>N/A</b>

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	<b>Strategic Director - Resource</b>
<b>Date By When Decision To Be Implemented:</b>	<b>11<sup>th</sup> December</b>

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Jane Thomas	01597826341		jane.thomas@powys.gov.uk

**Background Papers used to prepare Report:**

Local Government Act 1992

# Powys County Council Reserves Policy

## **Introduction**

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Council and the purposes for which they will be maintained and used.

The requirement for Financial Reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There are also a range of safeguards in place that help prevent local authorities over committing themselves financially. These include:

- The balanced budget requirement
- The statutory duty of the chief finance officer (S151 Officer) to report on the robustness of estimates and adequacy of reserves when the authority is considering its budget requirement (Section 25 of the Local Government Act 2003)
- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972.
- The requirements of the Prudential Code.

These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief financial officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Authority will not have resources to meet its expenditure in a particular financial year.

The policy is based on a requirement that all reserves are corporate in nature and that individual departmental reserves are only to be permitted if agreed by Cabinet after taking the advice of the S151 Officer.

## **Definitions**

Reserves are sums of money held by the Council to meet future expenditure.

## **Types of Reserve**

Reserves are classified in specific categories. These are generally accepted classifications used by local authorities. Clear definitions help distinguish between the type of reserve and their use.

**General Fund Reserves** – to meet short term, unforeseeable expenditure arising from unexpected events or emergencies. To enable significant changes in resources or expenditure to be properly managed over the period of the Medium Term Financial Strategy.

**Earmarked and Specific Reserves** – to meet known or predicted requirements, or established by statute.

**Unusable reserves** – these arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile requirements driven by reporting standards to statutory requirements. These reserves are not backed by resources and cannot be used for any other purpose.

Reserves should not be held without a clear purpose.

### **General Fund Reserves**

In assessing the appropriate level of reserves the Authority will ensure that the reserves are not only adequate but also necessary and will be appropriate for the risk (both internal and external) to which it is exposed.

The risks faced by a local authority will, in many cases, be due to the specific local context and will need to be kept under review. In assessing its financial risk the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on the factors that should be considered:

- Budget Assumption for inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The Authorities track record in budget and financial management
- Treatment of planned efficiencies/savings
- The financial risk inherent in any significant new funding partnerships, major outsourcing and capital developments
- The likely level of Government support to deal with major unforeseen events
- The adequacy of the authority's Insurance arrangements
- The Authority's virement and end of year procedures in relation to budget under and over spends
- The general financial climate and future funding assumptions

The risk assessment to be carried out will be based on the guidance provided by CIPFA and will be reviewed annually.

The appropriate level of General Fund Reserves will be determined annually as part of the Budget Setting process and Medium Term Financial Strategy and will be subject to approval by the Cabinet and Full Council.

The Financial Strategy will set out the level of planned reserve balances including financial arrangements for any replenishing of reserves, it will also confirm acceptable thresholds above and below the balance. If the balance falls outside of these thresholds a plan will be agreed by Cabinet to restore balances to the appropriate level.

### **Earmarked and Specific Reserves**

These are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. By nature these reserves balances do not have minimum and maximum thresholds. Creation of such reserves must be approved by the Strategic Director of Resources.

Balances should be reasonable for the purpose held and must be used for the item for which they have been set aside, if circumstances arise to which the reserve is no longer required for its original purpose they will transfer to the General Fund Reserve.

### **Ringfenced Reserves**

#### Housing Revenue Account

The Housing Revenue Account is ringfenced this means that HRA resources may only be expended with the HRA. Councils are not allowed to transfer resources between the HRA and their general funds. The Balance on the HRA is held in a ringfenced reserve.

#### Schools Reserves

Schools are able to carry forward surplus and deficit balances from one year to the next and utilise these balances for managing changes in pupil numbers and funding, or the funding of projects and future liabilities. The balances are held by individual schools, they are not for general Council use. Guidance on the level of balances held, and possible clawback of funds by the Authority is documented within section 4 of Powys' Scheme for the Financing of Schools.

### **Reporting of Reserves**

The balances and movement of all reserves is required to be reported within the Authorities Annual Statement of Accounts.

The balance held and projected movement of useable reserves will be reported monthly as part of the Budget Monitoring Report to Cabinet, this includes the level of reserves held against the threshold set for the year.



# A23-2016

## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

15<sup>th</sup> April 2016

**REPORT AUTHOR:** Professional Lead for Finance

**SUBJECT:** Closure of Accounts and completion of Statement of Accounts 2015/2016 – Project Update

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**REPORT FOR:** Information

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## 1. Introduction

- 1.1 The Auditor General issued an unqualified opinion on the 2014/15 Accounts on 30 September, 2015, but at that time could not issue a certificate concluding the audit as there was a matter outstanding. This has now been concluded and as a result there have been no changes to the accounts. The Strategic Director of Resources (Section 151 Officer) and the Chair of Audit Committee re-signed the accounts and the Auditor General issued the audit certificate on the 2<sup>nd</sup> March, 2016 certifying that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.
- 1.2 The Closure of Accounts for the financial year ending 31<sup>st</sup> March 2016 and the completion of the Statement of Accounts is once again being delivered under a project management approach.
- 1.3 The project continues to build on the improvements in previous years.
- 1.4 The Committee received a presentation at its meeting on the 4<sup>th</sup> February, 2016 which outlined the key elements of the project plan. It also informed the committee of the progress to date, the next steps, and that the timetable and risk register were in place.
- 1.5 This report provides an update on the progress of the project since the previous committee.

## 2. Project Progress

- 2.1 The Welsh Audit Office recommendations made within the Management Letter presented to the committee on the 4<sup>th</sup> February have been built into the Project plan workstreams, progress on these is monitored by the project group and Appendix A details the action being taken to address the recommendations.

- 2.2 Detailed instructions were issued to staff across the council for all aspects of the accounts closure which included clear timescales for completion of each element.
- 2.3 The workshop with Finance staff and WAO officers took place on the 21<sup>st</sup> March, issues and concerns were raised and discussed and actions identified which are being taken forward.
- 2.4 The project team meet fortnightly to manage the project, monitor progress, and discuss and resolve issues. Completion dates for actions on the timetable have in the main been met. Some items have slipped but at this stage will not have an adverse impact in delivering the project. These include review of Trading Accounts and some delayed valuations.
- 2.5 Phase 1 of the project has been completed and Phase 2 is progressing, this phase will finalise housekeeping of the systems, review the expenditure and income records across service areas, ensure all creditors, debtors, and other accruals are identified and entered, grants will be reconciled and all inter department transactions will be completed. Phase 2 is targeted to complete by the 29th of April, this target date has significantly improved over the last few years and it is essential that we continue to shorten these timelines as we prepare to meet the shorter statutory timescales required by 2018/19 and 2020/21.
- 2.6 The Audit Team are on site and substantive testing has begun. An issues log is in place. The Audit Plans for both Powys County Council Accounts and the Pension Fund Accounts have been received. The plans include the risks of material misstatement which the Auditor General considers to be significant and which therefore require special audit consideration. These areas have been reviewed by the project team and incorporated into the relevant workstreams.
- 2.7 Progress will continue to be reported regularly to the Resources Management Team.

### 3. Key Milestones

Milestone	Deliverable	Start	Completion	RAG Status
Project Team established	Ownership and Delivery of project	Oct 15	Oct 15	Complete
Timetable and Individual Task lists completed	Planning and Delivery of Project	Dec 15	8th Jan 16	Complete

Adequate resourcing of all tasks identified	Delivery of Project	Jan 15	8 <sup>th</sup> Jan 16	Complete
Valuations completed	Accurate Valuation of land and property within the Accounts	Apr 15	Feb 16	Green
Audit Committee	Present Project Plan and update on project deliverables	Oct 15	Nov 15	Complete
Phase 1	Budget holder/Business services complete transactional elements of year end	Jan 16	31 <sup>st</sup> March 16	Complete
Phase 2	System Interfaces all completed, Accountancy Teams closing of Service Areas.	1 <sup>st</sup> April 16	29 <sup>th</sup> April 16	Green
Phase 3	Pulling together of Financial Statements	18 <sup>th</sup> April 16	17 <sup>th</sup> June 16	Green
Phase 4	Review	17 <sup>th</sup> June 16	30 <sup>th</sup> June 16	
Audit Committee	Governance and Review	30 <sup>th</sup> June 16	30 <sup>th</sup> June 16	
Publish Statement of Accounts & release to WAO	Statutory Requirement	30 <sup>th</sup> June 16	30 <sup>th</sup> June 16	
Phase 5	Audit and issue of Audit Opinion	1 <sup>st</sup> July 16	23 <sup>rd</sup> Sep 16	
Audit Committee	Approval of Statement of Accounts	30 <sup>th</sup> Sept 16	30 <sup>th</sup> Sept 16	
Publish Statement of Accounts	Statutory Requirement	30 <sup>th</sup> Sept 16	30 <sup>th</sup> Sept 16	

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### Background Papers used to prepare Report:

Closure of Accounts Project Plan

WAO Management letter

WAO Audit Plans

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

Management Letter	Workstream
<b>Matter 1 - Quality of Draft Accounts and working Papers</b>	<b>Statement of Accounts Production</b>
<b>Matter 2 – property, plant and equipment disclosures contained numerous errors</b>	
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>

	<b>Capital</b>
	<b>Capital</b>
	<b>General Closing of Service Area Accounts</b>
	<b>Capital</b>
	<b>Capital</b>

<b>Matter arising 3 – bank reconciliations not completed</b>	<b>Treasury Management</b>
	<b>Treasury Management</b>
	<b>Closing of Schools Accounts</b>
	<b>Closing of Schools Accounts</b>

<p><b>Matter arising 4 – journal authorisation not undertaken</b></p>	<p><b>General Closing of Service Area Accounts</b></p>
<p><b>Matter arising 5 – procurement standing orders are out of date</b></p>	<p><b>ALREADY IN PLACE</b></p>
<p><b>Matter arising 6 – internal recharges included within the comprehensive income and expenditure statement</b></p>	<p><b>Internally Generated Income</b></p>
<p><b>Matter arising 7 – creditors year-end balances misstated</b></p>	<p><b>General Closing of Service Area Accounts</b></p>



<p><b>Matter arising 8 – purchase orders raised after invoices received</b></p>	<p><b>General Closing of Service Area Accounts</b></p>
<p><b>Matter arising 9 – IT</b></p>	
	<p><b>Information Services (ICT)</b></p>
	<p><b>Information Services (ICT)</b></p>
	<p><b>Information Services (ICT)</b></p>
<p><b>Matter arising 10 – cashflow statement not prepared in line with the Code</b></p>	<p><b>Statement of Accounts</b></p>
	<p><b>Treasury Management</b></p>

<b>Matter arising 11 – operating leases misstated</b>	<b>Statement of Accounts</b>
<b>Matter arising 12 – year-end stock takes not undertaken</b>	<b>Statement of Accounts</b>
<b>PENSION FUND</b>	
<b>Matter arising 1 – Pension Fund disclosures within the Council’s Annual Governance Statement require strengthening</b>	<b>Annual Governance Statement</b>
<b>Matter arising 2 – The Pension Fund should produce an Annual Business Plan and develop its own risk register</b>	<b>Pension Fund</b>

<p><b>Matter arising 3 – A detailed closedown checklist should be established for production of the Pension Fund Financial Statements</b></p>	<p><b>Pension Fund</b></p>
<p><b>Matter arising 4 – Management should consider enhanced disclosures for Additional Voluntary Contributions in accordance with recommended best practice</b></p>	<p><b>Pension Fund</b></p>

WAO Recommendation	Management Response
<p>We recommend that a stringent quality assurance process, which includes completion of the Code disclosure checklist, is implemented prior to the draft accounts being provided to audit.</p>	<p>The Code disclosure checklist will be incorporated within the Closure of Accounts Project plan. A more rigorous review of the primary statements, notes and working papers to be undertaken against a prescribed checklist.</p>
<p>We recommend:</p>	
<p>1. Processes are implemented to ensure that all assets completed in year are correctly transferred to operational asset categories. Further a review is undertaken of all assets within assets under construction to ensure that none of these assets are now operational.</p>	<p>A review will be undertaken of all Assets under Construction to ensure they are transferred to operational assets at the correct time.</p>
<p>2. Disposals are only entered onto the system once assets have been confirmed as disposed and any adjustments to correct potential errors are undertaken/reviewed by one member of staff.</p>	<p>A review of the disposal journal will be carried out and authorised by a separate officer before it is entered in the ledger.</p>
<p>3. Assets are only capitalised if they are in line with the Councils capitalisation policy or that the policy is amended to reflect that actual treatment undertaken by the Council.</p>	<p>Accept that the Accounting Policy will be amended to reflect what Cabinet agreed at the time the de minimus sum was introduced and agreed, which allowed for flexibility.</p>
<p>4. All accounting policies with regards to PPE are reviewed to ensure that these are up to date and reflect the treatment undertaken by the Council.</p>	<p>The Accounting Policies will be reviewed annually to ensure any changes are included.</p>
<p>5. That the treatment of historic cost impairments for all assets revalued in year is reviewed to ensure the correct treatment is applied to any previous impairments/downward revaluations.</p>	<p>An additional check will be added to the procedures to ensure all the historic impairments are correctly reversed.</p>

<p>6. Historic differences between the information maintained on the fixed asset system and the financial statements should be investigated in order to correct any discrepancies and bring the system and financial statements in line.</p>	<p>The differences between the ledger and system will be reviewed and cleared.</p>
<p>7. Assets reclassified from operational to assets held for sale should be treated in line with the Code and revalued immediately prior to reclassification.</p>	<p>The Assets held for sale will be revalued prior to transfer.</p>
<p>8. The Council should undertake an annual review of expenditure charged to revenue, as part of the accounts closedown process, to ensure that no capital expenditure has been incorrectly included in revenue.</p>	<p>Review of revenue expenditure to be done by Finance Business Partners to identify any capital expenditure that may be included incorrectly.</p>
<p>9. The calculation of depreciation for any asset that has had non- enhancing expenditure in year should be reviewed to ensure that the depreciation is calculated in line with the Councils depreciation policy and the useful economic life has been entered correctly.</p>	<p>The depreciation calculation will be reviewed for all assets</p>
<p>10. Assets should only be classified as operational from assets under construction once the asset is complete and in use. Further expenditure on the asset should then be reviewed to confirm if it does enhance/extend the life of the asset – if not the expenditure should be written off in year and the asset not re-lifed.</p>	<p>The way the expenditure is treated will be reviewed.</p>

<p>The council introduce regular (at least monthly) comprehensive bank reconciliations of the receipts account and ensure that all reconciling items are agreed to supporting evidence.</p>	<p>The Receipts Account will be reconciled monthly, any reconciling items will be fully supported by relevant evidence and reviewed and signed off by the Finance Operations Manager. The reconciling items identified in last year's accounts were supported by evidence with the exception of 1 item.</p>
<p>All un-reconciling items should be investigated to ascertain the reason for the difference with bank reconciliations being signed off as reviewed by a senior member of staff.</p>	<p>See Above</p>
<p>Primary school bank reconciliations should be undertaken at least annually and any difference between the ledger and year-end bank balance investigated.</p>	<p>Primary School Bank Reconciliations to be included in the project plan with follow up to ensure completion.</p>
<p>The difference between cash held on SIMS and EFiN should be investigated and corrected to ensure that both balances agree. Going forward detailed reconciliations should be undertaken with supporting evidence/explanations sought for any differences.</p>	<p>The high school bank Accounts and SIMS records will be fully reconciled for each High School. The historical differences between SIMS and EFiN have been reduced and the remaining balance will be written off. Action incorporated into the Closing of Accounts Project workstream.</p>

<p>We recommend that the Council reminds staff of the process with regards to journal authorisation.</p>	<p>There is a process in place that journals greater than £100k are authorised. The journals not authorised were reversing journals and there was a perception by some that these did not need to be signed as the original journal had been signed. Staff to be reminded of process within the department meeting and within the closing programme notes to all finance staff.</p>
<p>We recommend that the Council updates the procurement standing orders as soon as possible and in the future ensures that any standing orders are updated immediately after new regulations or guidance is issued.</p>	<p>The new Contract Procedure Rules went live on 1<sup>st</sup> September 2015</p>
<p>We recommend that the Council undertakes a review of internal recharge codes on the ledger and ensures that these are excluded from the financial statements at the year-end.</p>	<p>An additional column needed to be created in the Income and Expenditure Account. This was done during the audit process and will be used as the basis for future year's working papers. Internal Recharges are being reviewed in 2015-16</p>
<p>We recommend that the Council establishes processes which ensure expenditure is charged to the correct year and, if required, correctly recorded as creditor at the year-end.</p>	<p>Creditor lists are sent out for completion near year end. Creditor payment processing notes ask that payments processed after 1<sup>st</sup> April but relating to the previous year are referenced in a specific field so they can be identified and the charge can be recorded in the year to which the invoices relates. More emphasis to be made on following procedures within the closing notes.</p>

<p>We recommend that the Council ensure all staff are made aware of the requirements to raise and authorise purchase orders for any expenditure transactions.</p>	<p>The No purchase Order No Pay initiative was launched by Finance and Commercial Services in April 2015. All suppliers were informed by letter that they were not to accept a PCC order and not to supply the Council without a Purchase Order. The scheme is currently running around 70 - 80% compliant and is about to be refreshed. As part of the refresh the Council has organised a PO box for all invoices so that they are received into the Council at one point. Non-compliance is reported to Cabinet in the Monthly Budget Monitoring and Forecast Report.</p>
<p>1. Methods of access for suppliers are secure but access is not limited to a specific time period. This means that access could be left open for a period after the work has been completed and increases the risk of unauthorised changes to its systems and software.</p>	<p>1. The Council should consider implementing time limited access to the network for supplier/third parties. This will give improved control over network access, limiting risk to inappropriate use within the network (and potentially key financial systems).</p>
<p>2. Offsite Backup media is still stored too close to the main building. This situation provides an increased risk that backup data may not be available in the event of a major disaster and the Council may not be able to restore the ICT systems.</p>	<p>2. The Council should follow best practice by identifying a new location for storage of offsite backup media at a suitable distance away from the main building, based on risk assessment of the surrounding area.</p>
<p>3. There has been an improvement with regards to the creation of disaster recovery plans, but these will need to be finalised as soon as possible.</p>	<p>3. Disaster recovery plans are finalised as soon as possible.</p>
<p>1. Ensures that the disclosures within the cash-flow statement comply with the requirements of the Code.</p>	<p>Cash paid to suppliers of goods and services to be included in the cashflow. The Statement working group to discuss the best means of capturing that information.</p>
<p>2. Cash inflow is calculated based on the credits to the bank.</p>	<p>Credits to the bank to be used as recommended</p>



<p>We recommend that the Council locates and reviews the leases in all instances where they are the lessor and confirms that the information held within the supporting calculation spreadsheet is correct.</p>	<p>More comprehensive guidance notes to be provided i.e. where the information is held, who is responsible for it and a check that calculations are correct.</p>
<p>We recommend that the Council ensures all sites undertake year-end stock takes and stock balances on the ledger are updated to reflect the year-end stock position.</p>	<p>Individuals responsible for stock takes to be identified before year end, and any non-returned stock sheets will be identified and a system will be in place to ensure completion. Stock sheets to be held in central area to assist the audit process.</p>
<p>We recommend that Pension Fund disclosures within the Council's Annual Governance Statement are reviewed and strengthened, for example, the inclusion of key risks facing the pension fund, the effectiveness of its controls (result of any internal audit reviews), updates on its funded status/actuarial valuations, implementation of the Pensions Board from 1 April 2015, etc.</p>	<p>Incorporate recommendation into the Statement of Accounts Project plan.</p>
<p>We recommend that: <input type="checkbox"/> A Business Plan for 2016-17 is drafted during 2015-16 for presentation to the Pensions and Investments Committee. <input type="checkbox"/> Risk management is introduced to Pension Fund's system of internal control by establishing its own risk register and reviewing it hereof, or feeding into the Council's overall Risk Register.</p>	<p>A business plan for 2016-17 and a risk register to be produced.</p>

<p>In order to mitigate any risk of slippage in the timing or quality of financial statements in future years should key staff be absent, we recommend that a year end closedown checklist is established with approximate dates/deadlines for the production of the financial statements and associated working papers.</p>	<p>A checklist to be produced as part of the Statement of Accounts project plan for 2015-16.</p>
<p>We recommend for 2015-16 financial statements the inclusion of: <input type="checkbox"/> Accounting policy for AVCs; and <input type="checkbox"/> AVCs note disclosing the value of AVCs paid into relevant fund(s) in year, and also the year end market value of those fund(s).</p>	<p>AVC providers to be contacted to provide relevant information.</p>

<b>Action</b>
<p>WAO workshop took place on 21st March 2016 confirming what they are looking for in terms of good practice. The CIPFA disclosure checklist will be used when reviewing notes. Notes working papers to be assigned to officers for self review.</p>
<p>1. A review will be undertaken of all Assets under Construction to ensure they are transferred to operational assets at the correct time.</p>
<p>2. A review of the disposal journal will be carried out and authorised by a separate officer before it is entered in the ledger.</p>
<p>Accounting Policy Amended</p>
<p>Accounting Policy Amended</p>
<p>5. An additional check will be added to the procedures to ensure all the historic impairments are correctly reversed.</p>

6. The differences between the ledger and system will be reviewed and cleared.

7. The Assets held for sale will be revalued prior to transfer.

8. Review of revenue expenditure to be done by Finance Business Partners to identify any capital expenditure that may be included incorrectly.

9. The depreciation calculation will be reviewed for all assets

10. The way the expenditure is treated will be reviewed.

Monthly reconciliations are taking place. Format of the reconciliation headings has been reviewed.

See Above

Two primary schools remain with their own bank account. Dialogue has been undertaken with the schools to determine if they still require the accounts, Reconciliations to be done by 15th April 2016

**Secondary Schools** have been requested to provide Finance with the paper work to confirm that monthly Bank Reconciliations have been carried out. Schools are chased where this is not happening. Old Bank Accounts records on Sims not finalised by schools when accounts closed have been resolved for all but 1 school, this will be resolved before Accounts closure. Revised instructions have been issued to the Schools Finance Team as to what is required at the closing visit. Historic differences between Sims records and Ledger codes will be written off against school reserves.

There is a process in place that journals greater than £100k are authorised. The journals not authorised were reversing journals and there was a perception by some that these did not need to be signed as the original journal had been signed. Staff to be reminded of process within the department meeting and within the closing programme notes to all finance staff.

The new Contract Procedure Rules went live on 1<sup>st</sup> September 2015

An additional column needed to be created in the Income and Expenditure Account. This was done during the audit process and will be used as the basis for future year's working papers. Internal Recharges are being reviewed in 2015-16

Closing procedures have been sent out to finance team, efinancial and Eproc users on processes to follow regarding year end creditors.

<p>This hasn't really changed. Time locks have been implemented however this was causing issues with some system interfaces. It was also thought that it was actually appropriate for some of our partners to have non time limited access.</p>
<p>The councils backup strategy now includes backup to Microsoft Azure</p>
<p>Disaster recovery plans are finalised as soon as possible.</p>
<p>A report from the creditor system will be used to provide a breakdown of payments to suppliers of goods and services.</p>
<p>Credits to be lifted from the bank statements.</p>

<p>Review of ledger undertaken to provide assurance all leases are being captured. Those holding information concerning on-going leases have been contacted to provide information by the first week of April, where we do not already retain the information.</p>
<p>Information concerning stock sheets included in the closing notes. Stock sheets to be returned to finance by 8th April. Email reminder sent to those in finance who input the journal that they need to chase those responsible for undertaking the stock take for the year end form.</p>
<p>Review of risk register to be considered before incorporating into draft AGS by 8th April 2016.</p>
<p>All constituent parts of a business plan are available within various pension fund documents. A business plan will be completed for the next Pension &amp; Investment Committee. A risk register was presented to the Pensions and Investment Committee in 11/02/2016.</p>



Meeting between finance and pensions admin so that both are aware of what is expected of the other. CIPFA disclosure checklist received. Key activities/dates noted into project plan.

AVC providers contacted. They can provide details of Fund values. Information to be chased mid April, after AVC providers have receipt of all contributions collected from Powys Pension Fund members.

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

# A24-2016

## CYNGOR SIR POWYS COUNTY COUNCIL.

### AUDIT COMMITTEE

15<sup>th</sup> April 2016

### CABINET

10<sup>th</sup> May 2016

**REPORT AUTHOR:** County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Treasury Management Qtr 4 Report

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**REPORT FOR:** Information

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## 1. Summary

1.1 CIPFA's Treasury Management Bulletin issued in March 2009 suggested:

“In order to enshrine best practice it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly.”

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:-

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

1.2 In line with the above this report is providing information on the activities for the quarter ending 31st March 2016.

## 2. Economic Background and Forecasts

2.1 The economic background is attached at Appendix B.

2.2 The most recent forecast of interest rates by the Authority's advisor is as follows:

	<b>Jun 16</b>	<b>Sep 16</b>	<b>Dec 16</b>	<b>Mar 17</b>	<b>Jun 17</b>	<b>Sep 17</b>	<b>Dec 17</b>
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%
<b>5yr PWLB</b>	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.60%
<b>10yr PWLB</b>	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%
<b>25yr PWLB</b>	3.20%	3.30%	3.30%	3.50%	3.50%	3.60%	3.60%
<b>50yr PWLB</b>	3.00%	3.10%	3.10%	3.30%	3.30%	3.40%	3.40%

### **3. Treasury Management Strategy**

3.1 The Treasury Management Strategy approved by Full Council on 5th March 2015 is at Appendix A.

3.2 The Authority's investment priorities within the Strategy are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

3.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

### **4. Current Investments**

4.1 The current investment market is difficult in respect of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the 0.5% Bank Rate.

4.2 The Authority's investment position as at 31st March 2016 is as shown below:-

<b>Invested with:</b>	<b>Principal £000's</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>
Santander	6,610	0.40%	N/A	Deposit A/c
BOS	1,495	0.40%	N/A	Deposit A/c
HSBC	345	0.25%	N/A	Deposit A/c
<b>Total</b>	<b>8,450</b>	<b>0.40%</b>		
Lloyds TSB - LAMS	1,000	3.20%	13.08.12	14.08.17

4.3 There have been no relevant credit rating changes in the last few months in respect of the banks that the Authority utilises for deposits.

4.4 Local Authority Mortgage Scheme:

In August 2012, following a Cabinet report, the Authority entered the Local Authority Mortgage Scheme with an allocation to Lloyds TSB of £1M. Under the scheme this was deemed as Capital Expenditure. However, the Wales Audit Office (WAO) opinion differed from this in that they suggested it should be treated as an investment. Unfortunately, despite meetings and extensive correspondence by Capita Treasury with the Welsh Government, Welsh Local Government Association and the Wales Audit Office, agreement on the accounting treatment for Welsh authorities has not been reached despite the provision of 3 separate legal opinions supporting the Capital Expenditure position. As such, Capita have said that they are not sure there is much more they can do in Wales. This Authority has concurred with WAO's requirement to treat this as an investment and, as such, the amount is included in the table above and is being accounted for as an investment. Council approved this investment following a retrospective report on 16<sup>th</sup> May 2013.

#### 4.5 **Glitnir:**

The winding up board of Glitnir made a distribution to creditors in a variety of currencies in March 2012. An element of the distribution was in Icelandic Kroner (ISK) which was placed in an escrow account in Iceland. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and, as a result, is subject to exchange rate risk over which the Authority has no control. The distribution has been made in full settlement, representing 100% of the claim.

Cabinet will be aware that this Authority did not take up a sale of escrow option but decided to retain the money in escrow until such time as there is further information forthcoming from the Icelandic government.

#### 4.6 **Redemption Penalties:**

There are no current fixed investments to redeem.

#### 4.7 **Investment returns in future years:**

Our advisors' current suggested earning rates for investments for budgeting purposes are as follows:-

	Suggested Rate
2016/17	0.60%
2017/18	1.25%
2018/19	1.75%

These are based on investments for up to three months duration.

### **5. Credit Rating Changes**

5.1 There have been no credit rating changes relevant to this Authority's position during the last quarter.

5.2 The credit rating list for end of March is attached as a separate file to this report.

### **6. Borrowing / Re-scheduling**

6.1 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

6.2 The Authority's Capital Position:

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be

sourced through external borrowing or utilising temporary cash resources within the Council.

Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

CFR Position:

	As at 31.03.15 Actual	2015/16 Original Estimate	2016/17 Original Estimate	2017/18 Original Estimate
	£M	£M	£M	£M
Capital Financing Requirement	224,482	227,799	319,727	329,533

6.3 The Authority had outstanding long-term external debt of £150.8M at 31<sup>st</sup> March 2015. In relation to the CFR figure for 31<sup>st</sup> March 2015, this equated to the Authority being under borrowed by £73.7M. This is a prudent and cost effective approach in the current economic climate. However, internal borrowing is only a temporary situation and, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. As such, the Authority needs to be mindful that it may be prudent to borrow whilst interest rates are at their low levels and carry the cost of this borrowing as opposed to borrowing at a future date at increased rates.

6.4 Capital Budget/Spend per efinancials:

<b>Capital:</b>	<b>Approved Budget</b>	<b>Working budget</b>	<b>Actual Capital Spend (not including commitments)</b>	<b>%age spend</b>
	128,931,594			
June		136,989,764	75,576,339	55.17%
Sept		141,157,883	83,517,819	59.20%
Dec		126,548,605	93,174,660	73.63%
March (latest figures as at time of writing report)		109,072,636	100,008,762	91.70%

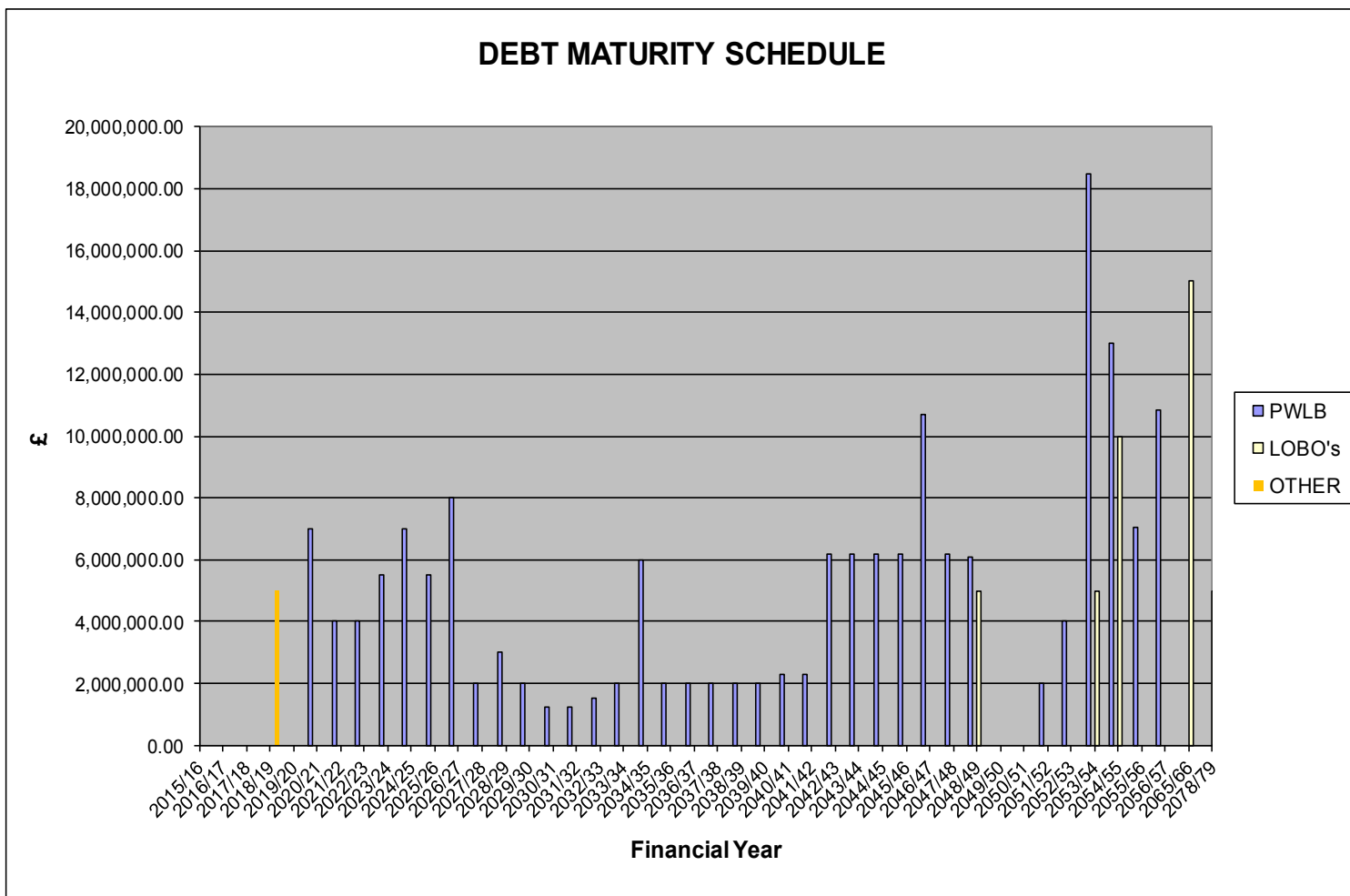
The figures above include the figures for the self-financing of the HRA.

The financing of the approved capital budget included £97.4M of Prudential borrowing in total. £72.4M was borrowed on 2<sup>nd</sup> April in respect of the self-financing of the HRA.

The exact structure of loans arranged for the HRA purpose reflected the requirements of the HRA business plan, the overall requirements of the Council and certain limitations (e.g. the minimum average duration of any borrowing) put in place by the Welsh Government. The loans were, therefore, arranged at a set of bespoke, higher PWLB interest rates that applied only to Welsh HRA self-financing authorities and may make these loans less flexible, from a restructuring point of view, than would normally be the case.

## 6.5 Debt Maturity Profile as at 31.03.16:

(please click on the graph below and increase the percentage in the toolbar above for an enhanced view)



## 6.6 Target rates:

Our advisors' target rates and current PWLB rates are set out below:

Period	Borrowing rate at 31.03.16	Target borrowing rate now
5 year	1.89%	1.70%
10 year	2.56%	2.30%
25 year	3.33%	3.20%
50 year	3.14%	3.00%

## 6.7 Rescheduling:

The Public Works Loans Board released a circular regarding rates on 20<sup>th</sup> October 2010. As a result of this, rates immediately increased by 0.87-0.88 basis points across the board. The overall impact of this circular was that it is far more difficult for authorities to reschedule debt

6.8 Members are aware that officers continue to look for interest savings on a daily basis by monitoring rates that may mean the Authority can re-schedule some of its debt or prematurely repay debt if applicable. However, PWLB interest rates have not been conducive towards rescheduling.

## 7. Prudential Indicators

7.1 All TM Prudential Indicators were complied with in the quarter ending 31st March 2016.

### Proposal

It is proposed that the Treasury Management quarterly report is received.

### Statutory Officers

The Strategic Director – Resources (s151 officer) notes the content of the report and supports the recommendation. It is important that Cabinet continues to be informed about this key activity.

The Solicitor to the Council (Monitoring Officer) has made the following comment: “I have nothing to add to the report”.

### Future Status of the Report

Not applicable

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<b>That the Treasury Management Quarterly Report be received</b>		<b>To ensure Cabinet remains informed about current Treasury Management performance</b>	
<b>Relevant Policy (ies):</b>		Treasury Management Policy	
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>N/A</b>
<b>Person(s) To Implement Decision:</b>		<b>N/A</b>	
<b>Date By When Decision To Be Implemented:</b>		<b>N/A</b>	
Contact Officer Name:	Tel:	Fax:	Email:
Ann Owen	01597 826327	01597 826290	ann.owen@powys.gov.uk

### **Background Papers used to prepare Report:**

CIPFA Code of Practice on Treasury Management and Cross Sectoral Guidance Notes  
 Treasury Management Policy Statement  
 Advisors' Information  
 WAG Guidance on Local Government Investments 2010  
 PWLB circulars



## Appendix A:

### Approved Treasury Management Strategy 2015/16:

#### 7.5 "High" credit quality:

7.5.1 It is proposed that the Authority continue with the following in respect of defining a "high" credit quality. If a rating is not available from any of the rating agencies then the available ratings will be used. Members will note that this proposal excludes investments with some banks off the advisors' suggested list:-

Long Term Ratings (in respect of long-term investments):

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-

Short Term Ratings (in respect of short-term investments):

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
F1+	N/A	A-1+
F1	P-1	A-1

#### 7.6 Country limits:

7.6.1 It is proposed that the Authority will use approved counterparties from the UK and approved counterparties from other countries with the following sovereign credit ratings:-

Permitted Fitch Ratings	Permitted Moodys Ratings	Permitted S&P Ratings
AAA	Aaa	AAA

Country	Maximum Investment per Country	Credit Rating/Other Assessment of Risk
AAA countries (listed at Appendix D)	£20M (held in call accounts)	As per rating list
UK	No Maximum Investment	As per rating list

7.7 *Group/Institutions - Counterparty Criteria/Limits:*

**Specified Investments:**

<b>Institution</b>	<b>Maximum Investment per Group/Institution £M</b>	<b>Maximum Length</b>	<b>Credit Rating/Other Assessment of Risk</b>
UK Banks	20 (a maximum £10M to be held in fixed term investments)	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Foreign Banks	5	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Other Local Authorities	25	Up to 364 days	N/A

**Non-Specified Investments:**

<b>Institution</b>	<b>Maximum Investment per Group/Institution £M</b>	<b>Maximum Length</b>	<b>Credit Rating/Other Assessment of Risk</b>
UK Banks	10 (£2M limit with any one institution)	Up to 2 years	As per Capita's matrices and the Authority's definition of a high credit rating
Lloyds Bank (as a mortgage lender in the LAMS scheme)	5	Up to 5 years	N/A
Foreign Banks	2	Up to 2 years	As per Sector's matrices and the Authority's definition of a high credit rating
Money Market Funds (max. of 5)	10	N/A	All are AAA rated plus the parents/owners must meet the Authority's short term investment criteria
Other Local Authorities	10	Up to 2 years	N/A
European Investment Bank Bonds	3	2-3 years	N/A

*Note: Limits for Specified and Non-Specified are combined limits. The maximum limit will also apply to a banking group as a whole.*

## **Appendix B**

### **Economic Background**

#### **Overview**

January proved a horrendous start to 2016 for the financial markets as share prices declined amidst concerns about a potential “hard landing” in China. The UK economy, however, appears to have gathered some momentum, with the PMIs indicating at least 0.5% q/q growth, while consumer confidence picked up despite all of the turmoil. Furthermore, oil prices and a weaker sterling should help the UK economy; although the EU referendum (June 2016) could add to uncertainty.

US headline inflation is set to remain low for much of 2016 as the joint impact of a strong dollar and soft commodity prices persist. The 2% target rate is not expected to be reached until 2017, with the dollar’s appreciation by 20% since mid-2014 keeping core goods price inflation suppressed. The external deflationary influences will probably last longer than had been initially thought but will fade as the year progresses, when increasing domestic price pressures will take over and push core prices to the target level.

Data suggests that EZ growth has maintained the 0.3% q/q expansion seen in Q3, which would be slower than surveys indicate. With the composite PMI and EC Economic Sentiment Indicator having dipped in January, there is the prospect that growth has probably slowed at the start of 2016.

#### **UK**

Q4 GDP is likely to have accelerated a touch from Q3, at around 0.5% q/q, but the economy does not appear to have great impetus and remains below trend growth at 1.9% annualised. 2.2% over 2015 as a whole is a sharp deceleration from 2.9% in 2014. Growth is being driven almost solely by the services sector, with industrial production and construction output both declining on the quarter. Nevertheless, the latest manufacturing PMI did pick up to leave the composite consistent with further improvement in GDP growth. The preface to the EU referendum will add to the uncertain mix that has dogged early 2016. In addition, the decline in manufacturing investment intentions may, partially, be a consequence, but the service sector intentions are undented. Retail sales volumes fell in December but grew strongly over Q4.

The recovery continues to be underpinned by consumer spending and real household spending, with big ticket items, such as cars, having been strong. While vehicle sales have slowed more recently, other durable goods sales should remain strong. With house prices heading up and quantity rising, mortgage approval values have jumped 26% y/y, but with RICS reporting a narrowing between buyer and seller enquiries house price growth may become more restrained.

The trade deficit narrowing in October was down to the goods balance, whereby export volumes increased and imports declined. However, trade is not set to support recovery just yet! The deficit will widen over Q4 unless there is a marked narrowing in December, and will be a drag on growth, though less than in Q3. On-going deterioration of EU trade is being offset by improvement in the non-EU deficit. Survey measures point to subdued demand from the EU, leaving export orders at historically low levels.

The labour market remains robust with employment rising 267,000 in the three months to November, leaving the unemployment rate at 5.1%. Yet even with evidence of labour shortages and high employment, wage growth remains subdued, with headline pay growth easing to 1.9% y/y. Remaining slack in the economy should ensure that wage growth does not rise sharply during 2016, with the percentage of part time workers looking for longer working hours still double that seen prior to the crisis and job-to-job movement also lower than pre-2008.

CPI inflation edged higher in December, as fuel price deflation softened and airfares rose, though these impacts were offset by falling food and alcohol price inflation. Petrol prices

fell but not as fast as they had the previous year, and even oil prices remaining at sub-\$33 per barrel will not prevent the drag from fuel prices dissipating over the year, on base effects.

Food producer price deflation is easing which should reduce the drag they exert as well. With the effect of stronger sterling waning, the downside impact from import prices should diminish. Analysts project inflation to rise to around 1% by the middle of this year, but rises should be gradual. Wholesale gas and electricity prices have tracked oil lower and will remain a drag on inflation as utility companies tend to buy wholesale energy two years in advance.

The indirect impact of lower oil prices will restrain inflation for some time, but the lower household medium-term inflation expectations do not suggest that near zero inflation is likely to become embedded. Nevertheless, growing inflationary pressures are not evident in the economy, thus inflation should remain below the 2% target, possibly for a couple more years.

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Deddf Llywodraeth Leol 1972.

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## Audit Committee

15 April 2016

<b>Internal Audit Working Group</b>
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<b>Purpose of Report:</b> Progress report
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The Group has met once since it last reported to Audit Committee:

S106 Agreements	<p>The audit report represented the situation in May 2015, and, whilst this caused the Group some concerns, they were reassured by the positive approach taken to resolve the issues raised. The Group asked that this approach be commended and drawn to the attention of both the Audit Committee and Senior Management.</p> <p>More effective communications across service areas together with a systematic approach to recording has proved beneficial. A Planning Monitoring Officer is in post and has been pivotal in improving procedures. Funds have already been secured to assist projects. An article is to be prepared for inclusion in the Members' Bulletin to ensure all Members are kept informed. The Group also debated liaison with the Brecon Beacons National Park Authority to ensure consistency across the County.</p>
Gas Safety/Serviceing	<p>An audit had been requested by the service following a period of staff absence. Whilst all properties inspected had the appropriate certification in place, there was a query as to whether the Authority would be aware if an inspection had not taken place. A new contractor is in place with revised and improved systems. A new housing management system has been implemented which works well for this particular aspect of the service.</p> <p>Members have expressed concern over a period of time regarding the implementation of the new housing management system (QL) and its ability to deal with all that is required of it. Some additional support is to be provided on a short term basis to undertake updates and development work. Many of the issues relate to a former system which is still in operation but does not have the necessary interfaces. This issue was elevated to Audit Committee in January 2014 for consideration.</p>
Direct Payments	The Group remain concerned regarding the lack of a

	policy to recoup overpayments. The service was reviewed in 2010 and again recently when many of the actions remained outstanding. A follow up review is nearing completion and will be reported to the Group in due course.
Procurement of Portable IT Equipment	<p>An issue has been identified whereby some schools are sourcing IT support and equipment outside of the corporate contract. This potentially causes difficulties in compatibility, safeguarding, breaching EU procurement rules and VAT issues.</p> <p>The Service Level Agreement should have been reviewed during 2015/16 and the Group have asked that this be progressed as a matter of urgency. Schools were to receive a letter reminding them of the specification of the SLA after the Easter Holidays and the Group asked that this letter be strengthened to highlight the issues and associated risks.</p>
Fraud Update	The Group noted that there were currently no cases of internal fraud.

Follow ups on savings identified by Northgate, Appointeeship and Deputyship, and Direct Payments would be considered at the next meeting in May. The Group also asked that the governance of projects be included in the Internal Audit Work Programme.

**Report contact:** Lisa Richards, Legal, Scrutiny and Democratic Services

**Contact details:** [lisa.richards@powys.gov.uk](mailto:lisa.richards@powys.gov.uk), 01597 826371

**Sources:** Notes of meeting – 29 March 2016

**Group Membership:** County Councillors J G Morris (Lead Member), E R Davies, S C Davies, F Jump, , D A Thomas and Mr J Brautigam



## AUDIT COMMITTEE

### Work Programme 2016/17

**Chair** Cllr John G Morris  
**Vice Chair** Mr John Brautigam

<b>15 April 2016</b>		
<b>Standard Items</b>		
<ul style="list-style-type: none"> <li>Minutes</li> <li>Joint Chairs Notes</li> <li>Work Programme</li> </ul>	4 February 2016 18 March 2016	Lisa Richards “ “
<b>WAO:</b>		
<ul style="list-style-type: none"> <li>Audit Plan - Financial statements</li> <li>Audit Plan – Pension Fund</li> <li>Financial Resilience</li> </ul>	WAO Assessment and PCC response	Phil Pugh
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>	IA Plan 2016/17 KPMG review	Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Q4	Ann Owen
<b>Working Groups</b>		
<ul style="list-style-type: none"> <li>Internal Audit</li> </ul>	Summary report	Lisa Richards
<b>Other</b>		
<ul style="list-style-type: none"> <li><b>Commercial Services</b></li> <li><b>Letting of domiciliary care contract</b></li> <li><b>Corporate Assessment</b></li> <li><b>Reserves</b></li> </ul>	Half yearly review Action Plan  Self- Assessment Scrutiny Development	Gail Jones  David Powell Jane Thomas

<b>11 May 2016 - AGM</b>		
<b>Election of Chair and Vice</b>		

<b>30 June 2016</b>		
<b>Standard Items</b>		
<ul style="list-style-type: none"> <li>Minutes</li> <li>Joint Chairs Notes</li> <li>Work Programme</li> </ul>	15 April and 11 May 2016 12 April and 24 May 2016	Lisa Richards “ “
<b>Draft Statement of Accounts</b> including Annual Governance		

Statement		
<b>Other</b>		
•		

<b>7 July 2016</b>		
<b>Standard Items</b>		
<ul style="list-style-type: none"> <li>• Minutes</li> <li>• Work Programme</li> </ul>	30 June 2016	Lisa Richards “ “
<b>WAO</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>		Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Working Groups</b>		
<ul style="list-style-type: none"> <li>• Finance and Performance</li> <li>• Internal Audit</li> <li>• Finance Scrutiny Panel</li> </ul>	Summary Reports	Lisa Richards
<b>Other</b>		
• <b>Corporate Assessment</b>		

<b>30 September 2016</b>		
<b>Standard Items</b>		
<ul style="list-style-type: none"> <li>• Minutes</li> <li>• Joint Chairs Notes</li> <li>• Work Programme</li> </ul>	7 July 2016 5 July, 13 September 2016	Lisa Richards “ “
<b>Final Statement of Accounts etc</b>		
<b>Annual Improvement Report</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>		Ian Halstead
<b>Working Groups</b>		
<ul style="list-style-type: none"> <li>• Finance and Performance</li> <li>• Internal Audit</li> <li>• Finance Scrutiny Panel</li> <li>•</li> </ul>		Lisa Richards
<b>Other</b>		
• <b>Corporate Assessment</b>		Caroline Evans

<b>4 November 2016</b>		
<b>Standard Items</b>		
<ul style="list-style-type: none"> <li>• Minutes</li> <li>• Joint Chairs Notes</li> <li>• Work Programme</li> </ul>	30 September 2016 18 October 2016	Lisa Richards “ “
<b>WAO</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>		Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Q2	Ann Owen
•		Lisa Richards
<b>Other</b>		
<ul style="list-style-type: none"> <li>• <b>Corporate Assessment</b></li> </ul>		Caroline Evans

### Working Groups

**Internal Audit:**

**Chair, E R Davies, S C Davies, F ump, D Thomas and Mr J Brautigam**

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

# A27-2016

Joint Chairs and Vice-Chairs Steering Group Friday, 18 March 2016

## MINUTES OF A MEETING OF THE JOINT CHAIRS AND VICE-CHAIRS STEERING GROUP HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 18 MARCH 2016

### PRESENT

County Councillor JG Morris (Chair), D R Jones, E M Jones and Mr J Brautigam

<b>1.</b>	<b>APOLOGIES</b>	<b>JCSG1 - 2016</b>
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Members: County Councillors S C Davies, M Dorrance and G Jones  
Officers: Jeremy Patterson, Chief Executive, David Powell, Strategic Director Resources and Nick Philpott, Programme Director

<b>2.</b>	<b>DRAFT NOTES - FOR CONSIDERATION</b>	<b>JCSG2 - 2016</b>
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#### Documents Considered:

- Notes of the last meeting

#### Issues Discussed:

- Attendance – the Chair reiterated the need for Members to attend to ensure meetings were effective.

#### Outcomes:

- **Noted**

<b>3.</b>	<b>DISCUSSION WITH THE CHIEF EXECUTIVE, STRATEGIC DIRECTOR / DIRECTOR REGARDING POTENTIAL SCRUTINY ITEMS.</b>	<b>JCSG3 - 2016</b>
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#### Documents Considered:

- None

#### Issues Discussed:

- The future role of the Group would be discussed later on the agenda with a suggestion to change the day of the meeting to ensure optimal attendance.

<b>4.</b>	<b>CORPORATE ASSESSMENT</b>	<b>JCSG4 - 2016</b>
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#### Documents Considered:

- Assessment of issues raised at other authorities' corporate assessments
- The Professional Lead, Strategic Planning and Performance gave a presentation on the requirements of the Corporate Assessment

#### Issues Discussed:

- Members were provided with the legislative background to the Corporate Assessment together with the overall purpose.

- Members queried whether the integration process was being monitored and were assured that it was. The accessing of information would be considered to ensure Members were fully aware of the issues
- Officers were asked if the Corporate Assessment would be based on qualitative or quantitative measures. There would be consideration of both and would include performance measures, budget etc but also interviews with groups of Members, Chairs and officers. There was no definitive standards against which the Authority could judge itself prior to the Assessment itself.
- Members Seminars have been arranged to ensure Members will be fully briefed
- Some staff resource has been identified to assist in the process. A critique of other authorities' assessments has been compiled and a Corporate Assessment Steering Group has been established and produced an Action Plan. Two staff focus groups have been set up and KPMG have been engaged to provide external challenge.
- A self-assessment will be completed by mid May and any gaps identified. It was acknowledged that there may be some progress in filling these gaps prior to the Assessment but the main objective was to ensure that the Authority was aware of any weaknesses and has plans to address these.
- The Wellbeing and Future Generations Act will be implemented from 1 April and it was thought likely that this would influence the way in which the WAO approach the Assessment
- All Members will have responsibility throughout the Assessment. The Joint Chairs Steering Group will have two roles – firstly to monitor how the Authority approaches the CA and, secondly, to assess the scrutiny element. A list of potential issues had been compiled. Monthly strategic scrutiny meetings have already been established and other officers will be invited to challenge the issues raised. These will then be assessed and prioritized by the Joint Chairs Steering Group. The self-assessment of scrutiny will be fed into the corporate self-assessment

**Outcomes:**

Action	Completion Date	Action By
Complete scrutiny self-assessment	30 April 2016	Wyn Richards

<b>5.</b>	<b>INTEGRATION WITH THE HEALTH BOARD</b>	<b>JCSG5 - 2016</b>
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**Documents Considered:**

- Expression of Interest to Welsh Government - Working Together for a Thriving Powys
- Progress Report – Strategic director – People and the Chief Executive, Powys teaching Local Health Board

**Issues Discussed:**

- Consideration needed to be given to scrutiny of the Joint Partnership Board (JPB). A meeting had been convened with the LtHB to progress the matter.

- The JPB includes four county councillors and has held its initial meeting. A Joint Management Board (JMB) has also met and agreed a process for escalating strategic decision making. The JMB will meet monthly and JPB, 6 weekly.
- Scrutiny arrangements of the Local Service Board (LSB) had been agreed but never implemented due to the delays in nominating members. This will have to be reassessed as the Public Service Board (PSB) goes live in April 2016. Further discussions regarding the roles and challenges of the PSB and its scrutiny will have to be undertaken.
- Members asked whether the Welsh Government (WG) had offered any support and were advised that some support had been offered late in the financial year (November). It was not possible to roll over monies not expended and it was not clear whether any additional funding would be forthcoming in the next financial year.
- It was clarified that scrutiny would apply to both the organisation and outcomes. There were no powers to undertake scrutiny of the Local Health Board itself.
- Local Government reorganisation is being driven forward and whilst there is legislation to drive integration through, the NHS works to national priorities. Consideration should be given to other services, not just social care, that can be delivered following integration, eg HR etc.
- Members were of the opinion timescales should be set out
- 'Tell Us Once' only applies within Powys County Council at present - there are no plans to include health until November at the earliest. However this is a Welsh Government strategy and remains the responsibility of the Welsh Government.

**Outcomes:**

Action	Completion Date	Action By
To develop the scrutiny process for the Joint Partnership Board	30 April 2016	Wyn Richards
Minutes of Joint Partnership Board to be circulated	Ongoing	Wyn Richards

<b>6.</b>	<b>COMMISSIONING AND PROCUREMENT BOARD</b>	<b>JCSG6 - 2016</b>
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**Documents Considered:**

- **Briefing on the role and operation of the Commissioning and Procurement Board**

**Issues Discussed:**

- Concern that major issues are only just being considered and not being programmed sufficiently early
- There was no evidence of challenge
- It was unclear whether the Board met its Terms of Reference
- The Group considered that further information regarding the number of contracts and value of those contracts that were out of time and how many were rolled over or extended would demonstrate the effectiveness of the Board

- Re-letting of the BUPA contract was raised a year ago, which was considered to be too late for such a major contract. In the event, the domiciliary care issue overtook the re-letting of the BUPA contract and there was insufficient capacity in the system to deal with both issues. It was expected that a report on interim measures would be considered by Cabinet imminently. The Group were of the opinion that a wider view should be taken and include co-location
- The lessons learned from the domiciliary care issue needed to be applied to future commissioning projects
- There was no forward commissioning plan either at a service or corporate level
- Over recent years, WAO reports had identified a lack of candour, capacity and capability to deliver services. This is likely to hinder transformation. It was acknowledged that it will take time for expertise to match need and the Authority must endeavour not to be too ambitious.
- The recent ACRF proved to be both frustrating and disappointing with the service not being as far forward with commissioning as expected

**Outcomes:**

<b>Action</b>	<b>Completion Date</b>	<b>Action By</b>
<b>The report be amended to reflect the Groups comments and forwarded to the Commissioning and Procurement Board for consideration</b>	<b>1 May 2016</b>	<b>Wyn Richards</b>

<b>7.</b>	<b>DRAFT STRATEGIC EQUALITY PLAN (SEP) FOR CHALLENGE</b>	<b>JCSG7 - 2016</b>
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**Documents:**

- **Draft Strategic Equality Plan**

**Issues:**

- Statutory requirement
- The current Plan ran from 2012 to date. It was determined that visibility of and progression through the current Plan was weak and did not connect to mainstream improvement planning
- In principle the Authority can produce a Plan with partners but not until 2018 but a revised Plan is required imminently
- The draft has been influenced by 'Is Wales Fairer' produced by the Equalities and Human Rights Commission. The seven emerging objectives tie in with those proposed within 'Is Wales Fairer'
- The Plan should be in place from 1 April and it is anticipated that the document will be approved by Cabinet on 12 April
- Members queried how baselines and targets had been established
- Members debated the need to include data within the document or just links to the information



**Outcomes:**

<b>Action</b>	<b>Completion Date</b>	<b>Action By</b>
<b>Any further comments on the plan to be emailed to Bets Ingram, Strategic Planning Officer</b>	<b>24 March 2016</b>	<b>Members</b>

<b>8.</b>	<b>ONE POWYS PLAN UPDATE</b>	<b>JCSG8 - 2016</b>
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**Documents:**

- One Powys Plan Update

**Issues:**

- 2016-17 update
- The five Programme Boards have undertaken a light touch review by confirming their objectives
- The LSB has also considered the update
- Feedback on the draft is now welcomed

**Outcomes:**

<b>Action</b>	<b>Completion Date</b>	<b>Action By</b>
<b>Comments on the draft update to be emailed to Peter Jones</b>	<b>24 March 2016</b>	<b>Members</b>

<b>9.</b>	<b>SCRUTINY ITEMS FOR INCLUSION ON WORK PROGRAMMES</b>	<b>JCSG9 - 2016</b>
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The following three agenda items were considered in a block

**Documents Considered:**

- Items for inclusion on the scrutiny programme including scoring sheets
- Revised schedule of meetings for Joint Chairs Steering Group
- Place Scrutiny and Audit Committees Workstreams
- People Scrutiny Committee Workstreams
- Assessment of Potential Work Programme Items
- Assessment of the Potential Impact of Scrutiny

**Issues Discussed:**

- Distribution of scrutiny work
- Quantity over quality – there was too much work being undertaken not allowing topics to be addressed adequately
- Some scrutiny was taking place that had not been assessed and scored
- Work was not being assessed strategically or put into a coherent work programme. It was suggested that all current work streams should be reassessed and rescored
- It was essential to formulate a process and adhere to it to avoid disproportionate time being allocated to one topic.

- There was also a need to react more quickly to requests
- There was a need to be more strategic and the Group needed to be more selective in the items included on the work programmes
- Members were of the opinion that some issues should be being dealt with by Portfolio Holders
- Scrutiny should be seeking assurance that work or monitoring is being carried out and not doing that work or monitoring itself
- The Schools Service do not see standards as their responsibility but that of the Head Teacher and Governing Body – yet it is an outcome in the One Powys Plan. An Action Plan following an inspection should be being monitored by the Challenge Adviser.
- There needed to be more accountability in some areas
- It was suggested that Joint Chairs Steering Group should increase the frequency of meetings
- The resourcing of scrutiny to be reassessed following the reassessment of scrutiny items

**Outcomes:**

Action	Completion Date	Action By
Increase the frequency of Joint Chairs meetings – advise that Chairs and Vice Chairs should attend as a priority. Dates to be included in electronic diaries		Wyn Richards
Scrutiny items to be rescored and brought back for prioritising – including a list of other scrutiny requirements eg, PSB, JPB etc	April 2016	Wyn Richards

<b>10.</b>	<b>OTHER SCRUTINY MATTERS</b>	<b>JCSG10 - 2016</b>
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See Agenda Item 20 above.

10.1. Schedule of Meetings of the Joint Chairs and Vice-Chairs Steering Group

See Agenda Item 20 above.

10.2. Resourcing Scrutiny

See Agenda Item 20 above.

10.3. Process for Initiating Scrutiny reviews

See Agenda Item 20 above.

<b>11.</b>	<b>SCRUTINY AND CABINET WORK PROGRAMMES</b>	<b>JCSG11 - 2016</b>
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**Documents Considered:**

- Cabinet Work Programme
- People Scrutiny Committee Work Programme
- Place Audit Committee Work Programme
- Audit Committee Work Programme

**Outcomes:**

- **Noted**

<b>12.</b>	<b>LSB / PSB SCRUTINY COMMITTEE</b>	<b>JCSG12 - 2016</b>
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**Documents Considered:**

- None

**Issues Discussed:**

- It was noted that Roger Eagle had been appointed by the PtHB to the PSB Scrutiny Panel
- Nominees were still awaited from the Powys CHC and the Mid and West Wales Fire and Rescue Service was to be contacted regarding nominating a representative

**Outcomes:**

- **Noted**

**County Councillor JG Morris (Chair)**

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol