

## AUDIT COMMITTEE

29 NOVEMBER 2016

Present: County Councillor Ian Arundale(Chairperson)  
County Councillors Howells, Kelloway, McGarry, Mitchell,  
Murphy, Weaver and Walker

### 42 : APOLOGIES FOR ABSENCE

Apologies were received from David Price.

### 43 : COMMITTEE MEMBERSHIP

The Chairperson advised that two new independent members had been appointed to the Committee. David Price was appointed to the vacant position and Gavin McArthur would join the Committee on 1 December 2016 to fill the position due to be vacated when Professor Maurice Pendlebury stands down on 27 November 2016.

Gavin McArthur was in attendance as an observer.

The Chairperson also advised Members that he was unable to attend the Committee meetings scheduled for January and March 2017 due to other commitments.

Nominations were sought for a new Vice Chair. It was proposed and seconded that Hugh Thomas be appointed as the new Vice Chair.

### 44 : DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the Members Code of Conduct

Councillor Mitchell	Item 4	Family Member of a Social Worker
Councillor Howells	Item 10.1	School Governor

### 45 : MINUTES

The minutes of the meeting held on 19 September 2016 were approved by the Committee as a correct record and were signed by the Chairperson.

### 46 : SOCIAL SERVICES FINANCIAL POSITION

*Councillor Mitchell declared an interest in this item under the Members Code of Conduct, as a family member is employed by Social Services.*

The Chairperson welcomed Tony Young, Director of Social Services, to the meeting. The Chairperson acknowledged the position the Directorate finds itself in and the difficulties in terms of service demands set in the national context. The Director

circulated a WLGA Briefing paper which indicated that nationally local authority Social Services were £92 million in deficit as a result of the pressure of service demands. The mapping exercise currently being undertaken would inform Cardiff's offer over a 5 to 10-year period.

The Committee received a report advising Members of the underlying reasons for the adverse financial position against budget in the Social Services Directorate at 2015/16 outturn and as projected in the month 4 budget monitoring report. The report was presented following a request from the Audit Committee.

The Chairperson invited questions and comments from the Members of the Committee. Those discussions are summarised as follows:

- The Director advised that when foster care placements with a private sector provider failed to materialise, in order to meet savings targets another provider was engaged. Members were advised that the private sector provider encountered problems recruiting foster carers, many of whom were returning to the Council from the private sector, as they prefer the Council value base.
- Members were advised that, in terms of the Integrated Service/Financial Strategy, officers were aiming to produce detailed set of service offer proposals – pitched at different levels of affordability – by end of January 2017. Members asked whether January 2017 was a realistic target date. The Director indicated that outline proposals were expected by end of January 2017 but these may need further work before being finalised by the end of the financial year. Members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this request.
- Members asked for an indication of where the main areas of savings from commissioning spend would be gained from and how these would fit in to the strategic model. The Director advised that the Cabinet report would address these matters. A total of £3.35 million in commissioning savings was proposed next year. The savings would rest on assumptions relating to packages of care and how the market would respond to these. The Directorate would always endeavour to get better value from providers at lower cost to the authority.
- Responding to a question from the Committee, the Director stated that the service offer proposals will carry more risk to the authority the lower the cost is. In Cardiff, residents have seen a commitment to the vulnerable from the authority. The Directorate now needs sustainability in terms of its resources. The City's has a growing population of older people and consideration also needs to be given to the impact of poverty on family life. Financial modelling indicates that the rate of growth of spend is slowing.
- Members noted that the Directorate has continually overspent its budget over many years. The Director was asked when the Directorate would be in a position to move beyond the failures of its predecessors. The Director indicated that the Service Strategy proposals would put the Directorate in a much better position, where fewer surprises will be expected.

- The Chair asked the Director to comment on the structure of the directorate's budget. Members were advised that the Directorate is supported corporately and the Director was not dissatisfied with the budget received. The Chair clarified his point insofar as it related to how the budget is constructed. The Director stated that budget monitoring reports are transparent and these are used to identify trends. The Directorate was trying to achieve a balanced position and the 5 to 10-year strategy will provide a financial envelope within which the Directorate must operate.
- Members asked whether officers were satisfied with the quality of domiciliary care which is provided in the City. The Director stated that domiciliary care has been subjected to 3 separate inspections over the last 12 months. Feedback from those inspections has been very good, although the Director accepted that there was still work to do. An Escalation Procedure was in place and is applied where services are not up to standard.
- Members asked whether, if there were no overspends, the Director considered the base budget to be sufficient. The Director advised that the Adult Services budget was stable – with the exception of a 7% increase in domiciliary care charges. The Childrens Services base budget is more difficult to predict. The Director stated that his objective it to eliminate overspends in the future and that is what the service is working towards.
- The Director acknowledged that the 6% rise in inflation that is predicted over the next 3 years has been taken into account. Inflation is flagged on as a budgetary pressure on the service.

RESOLVED – That following the meeting the Chairperson write on behalf of the Committee to the Chief Executive and the Section 151 Officers outlining the Committee's comments.

## Finance

### 47 : FINANCE UPDATE

The Committee received a report providing an update on the Council's financial position. The Corporate Director Resources advised that work was on going to achieve a balanced position on the budget by the end of the financial year.

Month 6 revenue monitoring shows a projected overspend of £537,000 which represented an improvement of £313,000 on the Month 4 position. The majority of directorates are reporting improved positions compared to Month 4.

Members were advised that the overall position reflects financial pressures and shortfalls against savings targets in directorate budgets which were offset by budget savings on capital financing, the release of contingency budgets, an anticipated surplus on Council Tax collecting and NDR refunds on Council properties. Directorate budgets are projected to overspend by £6.643 million, however it is anticipated that this will be reduced by the year end. The current position included projected overspends in Social Services, City Operations, Governance and Legal Services and Corporate Management. The directorate overspends were partly offset by the £4 million contingency budget. The Corporate Director Resources provided

Members of the Committee with an overview of the financial position of each Directorate.

Members were advised that the potential overspends include a projected shortfall against the savings identified for each directorate as part of the 2016/17 budget, together with shortfalls in savings targets carried forward from the previous year. An overall shortfall of £5.611 million is anticipated for 2016/16. A projected shortfall of £1.751 million has been identified from 2015/16. Where possible the shortfalls have been offset by savings in other budget areas.

The Cabinet and Council approved the Budget Strategy report in July 2016. Directorates have reviewed and updated their savings proposals and tested their achievability as part of establishing a balanced budget position for approval by Council in February 2017. The Budget Strategy Report indicated a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Directorate savings were expected to amount to £43 million over the three years. The 2017/18 Budget Proposals Consultation Report was approved by Cabinet on 10 November 2016.

Members were asked to note that the Welsh Government's Provisional Local Government Settlement was announced on 19 October 2016 which set out a cash increase of 0.3% in Aggregate External Finance for Cardiff. This equated to £1.437 of additional cash, but other factors including additional responsibilities mean that the true cash increase for Cardiff was £887,000.

Members noted the provisional settlement figure and asked whether the Welsh Government had confirmed the allocation of specific grants. Officers advised that they have not received confirmation of specific grant funding from the Welsh Government. It was anticipated that more information in respect of grant funding would be included in the final settlement announcement.

In terms of the budget consultation, Members asked officers to clarify whether any organisations affected by the proposals would be consulted with during the consultation period. The Corporate Director Resources confirmed that consultation with any organisations affected by the budget proposals was ongoing. Information regarding the organisations affected was available to Members but the information was not yet in the public domain.

RESOLVED – That the financial information in the report and the process being adopted in respect of budget preparation for 2017/18 be noted.

#### 48 : FINANCIAL RESILIENCE SNAPSHOT MONTH 6

The Committee received a report providing Members with items of information which help support financial resilience and provide information and benchmarking data on the Council's financial resilience,

These included the following;

- Financial Resilience Snapshot – Month 6 2016/17;
- Financial ratios derived from the Statement of Accounts on an All Wales basis for 2013/14 and 2014/15;

- An Earmarked Reserves Protocol for the Council which includes earmarked reserves balances 31 March 2016;
- The approach and policy on Minimum Reserve Position.

Members noted that 19.5% of projected savings for 2016/17 were currently unachieved. Members asked whether the process for achieving savings was resilient and robust. The Corporate Director Resources advised that an exercise was undertaken to understand what unachieved savings related to timing delays and what was unachievable. Those savings considered to be unachievable are written off. Members asked for further details of how savings are identified as being unachievable and how that is analysed. The Corporate Director Resources indicated that a number of processes are used.

Members noted that the contingency budget has been reduced by 25% in 2017/18. Officers commented that the contingency budget has been £4 million for a number of years during which the authority was faced with achieving £40 million in year savings. Next year the authority must achieve £17 million savings and it was the view of the Corporate Director Resources that the contingency budget should be reduced accordingly.

Members noted that Cardiff has the lowest level of reserves in Wales and asked whether keeping reserves at such a low level was 'dangerous'. Officers considered that the reserves were not dangerously low and argued that it may be considered that some authorities have too much in reserve. The report indicated that Cardiff's reserves are adequate.

RESOLVED – That:

- (1) the report be noted; and
- (2) the Committee agrees to continue to receive regular updates on financial resilience.

Governance and Risk Management  
49 : CORPORATE RISK REGISTER

The Committee received the Corporate Risk Register (CRR) 2016/17 Mid-Year Update.

Chris Pyke and Vivienne Pearson were invited present the report.

Members were advised that the CRR consists of 24 risks which are assigned to members of the Senior Management Team. Each risk has been reviewed and updated to reflect the mid-year position. The CRR was presented to the Senior Management Team on 15 November 2016 to gain their collective agreement.

The review of the CRR resulted in the following changes:

- Two new risks have been added – Promoting Independence (to replace Transfers of Care) and Safeguarding

- Two risks have been downgraded from red to red/amber – Organisational Development and Performance Management
- One risk was downgraded from red/amber to green – Schools SOP
- One risk has remained with the same overall priority rating – Information Governance
- Two risks have been removed – Local Development Plan and Delayed Transfers of Care

Members welcomed the review and engagement with Directorates and asked how much further this engagement can go. Officers stated that the review was well received by the management team. Officers felt that the risk register can assist the management team by informing that decision-making process.

Members of the Committee requested that future reports include an indication of where risk is deteriorating and needs to be addressed. Officers stated that they plan to include this level of detail in future reports.

The Chair asked whether cyber security was reflected in the CRR. Members were advised that such concerns are reflected in elements of the register but officers can look to assess cyber security issue in its own right. The Chair considered that cyber security was increasingly prevalent an issue and therefore it was relevant to ask the question.

RESOLVED – That the content of the Corporate Risk Register be noted.

## 50 : SENIOR MANAGEMENT ASSURANCE STATEMENTS

The Head of Finance presented a report summarising the completed Senior Management Assurance Statements (SMAS) for the mid-year position 2016/17. Appended to the report was a summary of the questionnaire returned by Senior Management Team officers.

Members asked how the appropriateness of responses was assessed and whether responses were open to external challenge. Members were advised that the responses were representative of the directorate body. An additional exercise would be undertaken to engage with staff below senior management level. This would be subject to independent evaluation.

Officers confirmed that assurance statements are provided in those instances where the responses are classified as 'partly'. The Chair suggested that the document could be improved if these 'partly' responses were provided in the future.

## 51 : AUDIT COMMITTEE SELF ASSESSMENT FEEDBACK/ACTION PLAN

The Committee received the results of the Committee's Self-Assessment Workshop that was completed on 19 September 2016. The Committee also received that Self-Assessment Improvement Actions.

Members were advised that the self-assessment identified that Members of the Committee had not been assessed against the core knowledge and skill framework. The Action Plan proposed that Members be assessed in order to provide assurance to the Audit Committee, that as a collective, the key skills are present. It was recommended that this be trialled in January 2017 with a view to a deeper analysis later on in the year.

The three areas that were identified as partly complete related to the terms of reference of the Audit Committee. It was agreed that a review of the terms of reference of the Audit Committee was necessary in order to provide further clarity of purpose.

Two items were taken forward from the previous self-assessment: the Audit Committee reinforced the importance of being assured that there was optimum use of resources and the continuing need to monitor the performance of the Audit function. The second item related to ensuring that the relationship between the Audit Committee and Scrutiny was clearly defined.

RESOLVED – That the self-assessment action plan be approved

## 52 : WALES AUDIT OFFICE

Janet McNicholas from Wales Audit Office (WAO) indicated that there were no Wales Audit Office (WAO) reports for Members to consider. Ms McNicholas referred to the Statement of Audited Accounts. Members were advised that WAO were planning to issue the certificate of completion by the end of the financial year.

Members of the Committee discussed the reasons for the delay in issuing the certificate of completion. The Committee considered that the Council was put in a difficult position as a result of late representations being received from a small number of respondents. Members asked whether WAO have considered implementing a mechanism which would prevent late, possibly malicious, questions being submitted. It was suggested that questions could be submitted within a certain timeframe.

Janet McNicholas stated that the receipt of representations is set out in the Public Audit Wales Act and any changes would require a change in legislation. The Head of Finance stated that WAO have advised that residents cannot be prevented from submitting representations, but a contingency plan can be put in place to ensure that late representations are managed in an appropriate manner.

The Corporate Director Resources stated that the authority's accounts are on public display throughout the consultation period. The authority should expect to receive questions during the proper period. It was suggested that the public notice should specify a time period for the submission of responses. The Committee requested WAO to address these matters with the Welsh Government.

## 53 : WAO TRACKER/OTHER STUDIES

The Committee received a report providing Members with an update on the programme of works planned to be conducted by the Auditor General during 2016/17. Members were advised that during the period of October and early

November two local government study reports have been issued in relation to Community Safety in Wales and the Strategic Approach of Councils to Income Generation and Charging for Services.

The recommendations from both study reports were appended to the report. Members were asked to note that particularly in respect of the report for Community Safety a number of the recommendations equally applied to the Welsh Government and Police and Crime Commissioner..

The Committee requested that the Committee receive an update on study reports, as appropriate, at a future meeting.

RESOLVED – That the report be noted.

Treasury Management

54 : PERFORMANCE REPORT

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee received a report providing Treasury Management performance information and position statements as at 31 October 2016. The Chairperson invited Nicola Greenwood to present the report.

The position statements in terms of investments and borrowing were appended to the report. The Committee was asked to note that there has been little change since the previous position reported to the Committee in September 2016.

RESOLVED – That the report be noted.

55 : HALF YEAR REPORT

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee received the Treasury Management Mid-Year Report 2016/17.

RESOLVED – That the report be noted.

Internal Audit

56 : PROGRESS UPDATE



*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

*Councillor Howells declared an interest in this item under the Members Code of Conduct as he was currently a school governor.*

Members received a report providing an update on the work of Internal Audit to 30 September 2016. Members discussed the findings set out in the appendix to the report. The Committee sought clarification on a number of those issues.

The Committee raised concerns regarding the resources available to the Investigations Team. Members considered that the issue of the resources available to the Audit Section was a recurring theme but the Head of Finance stated that there was no evidence that was the case.

RESOLVED – That:

- (1) The report be noted;
- (2) The Committee's concern regarding the resources allocated to the Investigations Team be noted;
- (3) The Prosecutions Policy be drafted to include a mechanism via which the authority is able to recover legal costs.

#### 57 : INTERNAL AUDIT NO ASSURANCE REPORTS

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee at its meeting on 19 September 2016 requested that the No Assurance Audit Reports documented at that meeting, and any other further issues identified since, be reported at this meeting. The Head of Finance presented an update on progress made since the No Assurance reports in respect of Riverbank Special School and Woodlands High School.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance provide Members of the Committee with the Estyn Inspection report for Riverside Special School.

58 : VALUE FOR MONEY

The Committee received a Value For Money studies update report.

Members were advised that agency spend analysis compared data from 2015/16 to 2014/15. Expenditure on agency spend remained fairly static. Committee Members requested a breakdown of where agency spend is considered to be justifiable. The Head of Finance stated that, whilst there may be an element of subjectivity, he could ask service areas for this information. Members also requested a report comparing terms and conditions for this authority's staff with the terms and conditions of other authorities. The Head of Finance agreed to report this to a future meeting also.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance present a report providing a breakdown of justifiable agency spend across service areas and a clarification of the £16m agency spend to a future meeting.
- (3) The Head of Finance present a position statement report on staff terms and conditions and a comparison with terms and conditions in other authorities.

59 : PUBLISHED SCRUTINY LETTERS

RESOLVED – That the report be noted.

60 : WORK PROGRAMME UPDATE

RESOLVED – That:

- (1) The report be noted;
- (2) The Corporate Director Finance circulate the Cabinet report on the Building Maintenance Framework for comment prior to the report be presented to Cabinet in January 2017.

61 : URGENT BUSINESS

No urgent business.

62 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 24 January 2017.

The meeting terminated at 5.00 pm

***This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg***