



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Caerphilly County Borough Council

Issued: September 2016

Document reference: 431A2016



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins, Sara-Jane Byrne and Allison Rees under the direction of Alan Morris.

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

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

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# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken by the staff of the Wales Audit Office on behalf of the Auditor General at Caerphilly County Borough Council (the Council) since the last such report was published in August 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner (the Commissioner). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## 2015-16 performance audit work

- 5 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office Financial Resilience Assessment	Review of the Council's financial position and how it is budgeting and delivering on required savings.
Wales Audit Office Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.
Wales Audit Office Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, including testing and validation of performance information.
Wales Audit Office Corporate Governance progress review	Review of arrangements to address external audit, inspection and regulation recommendations, and proposals for improvement.
Wales Audit Office: Sports and Leisure Review	Review of the development of a sport and leisure strategy.
Wales Audit Office: Waste Review	Overview of the Council's progress in considering changes to its waste and recycling service to meet future statutory targets.
Wales Audit Office: Gwent Frailty Programme	A review of the Gwent Frailty Programme to assess whether the Programme had delivered improvements in line with individual organisations' expectations.
Estyn: Evaluation of schools performance	A review of performance across a range of areas within schools in the Council.
CSSIW: Annual Review and Evaluation of Performance	An evaluation of the Council's performance in delivering its social services functions.
Welsh Language Commissioner	The Welsh Language Commissioner's response to the Council's 2014-15 Annual Monitoring Report.

Project name	Brief description
Wales Audit Office: Local Government National reports	<ul style="list-style-type: none"> <li>• Community Safety Partnerships (to be published)</li> <li>• Income generation and charging (to be published)</li> <li>• Council funding of third sector services (to be published)</li> <li>• The financial resilience of councils in Wales (published April 2015)</li> <li>• Achieving improvement in support to schools through regional education consortia – an early review (published June 2015)</li> <li>• Review of Corporate Safeguarding arrangements in Welsh Councils (published July 2015)</li> <li>• Supporting the Independence of Older people: Are Councils Doing Enough? (published October 2015)</li> <li>• Delivering Less – Leisure Services (published December 2015)</li> </ul>

**Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Measure during 2016-17**

- 6 The Auditor General has reached this conclusion because:
- a The Council complied with its improvement planning and reporting duties under the Measure.
  - b CSSIW reported that the Council continued to take a structured and planned approach to develop and transform services in readiness for the Social Services and Wellbeing (Wales) Act (SSWB Act), and this was also reflected in the objectives set out in the local single improvement plan.
  - c The Council had effective financial control arrangements and a track record of achieving savings in advance. However, it did not have a comprehensive medium-term financial plan, and monitoring progress of savings was fragmented.

- d The Council responded to its financial pressures in 2012 by reviewing its leisure centres and outdoor recreation and leisure facilities, but given its stronger financial position for 2016-17 onwards, the Council can now take stock to adopt a more holistic and strategic approach to reviewing its sports and leisure services to ensure that together they can meet the future needs of its citizens.
- e The Council was taking a measured and mature approach in considering options for its waste and recycling service, and had recognised areas that require strengthening.
- f The Council's response to our recommendations and proposals for improvements was supporting improvement in its self-evaluation and scrutiny arrangements, but further work remained to fully address weaknesses in Internal Audit and Human Resources, some of which were longstanding.
- g The Gwent Frailty Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme.
- h The Council had further improved its data quality assurance arrangements, resulting in increasingly robust data quality.
- i Internal investigations are continuing in relation to the issues concerning some senior officers. Consequently, there are a number of interim or acting posts at senior management level and a degree of uncertainty remains at the Council until the internal investigations are concluded.

## Recommendations

- 7 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - a make proposals for improvement – if proposals are made to the Council we would expect it to do something about them, and we will follow up what happens;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection, and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.

- 8 The Auditor General has not made any formal recommendations for improvement in the work undertaken and finalised at the Council during 2015-16.
- 9 Areas for Improvement (AFIs) made by CSSIW during the course of the year are set out below.

#### CSSIW's Annual review and evaluation of performance 2014-15

##### AFI1

- The council is aware that there is a need to progress the joint commissioning of service for older people and this should be prioritised with health partners.
- Take forward recommendations outlined in CSSIW's report following a site visit to Listen Engage Act Participate (LEAP) and the relevance of these for other services within social services.

##### AFI2

- Ensure the new quality assurance framework reflects methods of monitoring progress of the children's strategy.

##### AFI3

- Continue to develop scrutiny arrangements.
- Corporate parenting board to demonstrate clear methods for consulting with children and young people.



# Detailed report



# Performance

## Audit of Caerphilly County Borough Council's 2015-16 Improvement Plan

- 10 On 7 July 2015, we issued a certificate confirming that the Council had discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties. The certificate is contained in [Appendix 2](#).

## Certificate of compliance for the Audit of Caerphilly County Borough Council's assessment of 2014-15 performance

- 11 On 6 November 2015, we issued a certificate of Compliance for the audit of the Council's assessment of 2014-15 performance. The certificate confirms that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure. Our certificate is contained in [Appendix 3](#).

## Estyn's evaluation of school performance

- 12 The proportion of pupils eligible for free school meals in Caerphilly is much higher than the Wales average. This is taken into account by Estyn when evaluating the performance of the authority.
- 13 Estyn concluded that in the Foundation Phase, performance has improved since 2012, placing the authority well above the Wales average. Performance in the key stage 2 and key stage 3 core subject indicator has also improved over the last three years. For key stage 2, this performance is close to the Wales average. However, for key stage 3, performance in the core subject indicator is below the benchmark for performance set by the Welsh Government in 2015.
- 14 Estyn concluded that at key stage 4, the level 2 threshold including English or Welsh, and mathematics, has improved over the past three years and has met the benchmark for performance set by the Welsh Government in 2015. Performance in the capped points score has also improved over the past three years and is closer to the benchmark for performance set by the Welsh Government in 2015. The percentage of pupils achieving the level 1 threshold is higher than the Wales average, and the authority had a higher average than similar authorities in this indicator.
- 15 Estyn concluded that the performance of pupils eligible for free school meals is improving, although the gap in attainment between those eligible and not eligible remains similar over time as the performance of all pupils improves.
- 16 Estyn concluded that there is a steady trend of improvement in attendance in primary schools, although over time attendance remains below Wales' averages. In secondary schools, attendance has declined slightly in 2015 and secondary school attendance is the lowest in Wales.

**CSSIW reported that the Council continued to take a structured and planned approach to develop and transform services in readiness for the Social Services and Wellbeing (Wales) Act (SSWB Act), and this was also reflected in the objectives set out in the local single improvement plan**

- 17 CSSIW published its **Annual Review and Evaluation of Performance 2014-15** in October 2015.
- 18 CSSIW concluded that the Council continued to take a structured and planned approach to develop and transform services in readiness for the SSWB Act, and this was also reflected in the objectives set out in the local single improvement plan. The annual report of the director of social services provided a comprehensive picture of the current status of social services in Caerphilly. This included a reflection on the previous year's priorities and achievements, and areas for development in the year ahead. It identified that the department is on track to achieve the medium-term financial plan, although, this was within recognised limited resource and had become more reliant on successful bids for additional funding and grants.
- 19 CSSIW concluded that solid foundations built in the previous year enabled the Council to make progress in both adult and children's services. Clear planning set the direction for prioritising, reviewing, and the development of new services, reflecting local need and national legislative change. This involved restructuring existing teams and services as well as exploration of new ways of working, and included working with local authority, Aneurin Bevan University Health Board (ABUHB), and third sector partners.
- 20 CSSIW concluded that the corporate management structure and governance arrangements provided support to enable social services to continue development, and the introduction of a new quality assurance framework should enhance oversight of the service as a whole.
- 21 CSSIW concluded that the Council worked constructively with regulators and made good progress in relation to areas for improvement in CSSIW's performance report 2014-15. The Council continued to work with regional partners in both health and third sector to build on strengths and trial new ways of working. Continued development of these relationships would be crucial to successful working and implementation of the SSWB Act.

- 22 CSSIW concluded that continued support at corporate level for equality and the Welsh language was evident within the director's report, and there was progress towards meeting the requirements of 'More than Just Words', the Welsh Government's strategic framework for Welsh language services in health and social care.

## Welsh Language Commissioner's evaluation of Caerphilly County Borough Council's performance

- 23 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 24 The Commissioner works with all the Councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.
- 25 The Commissioner's formal response and letters issued to the Council during the year are available on the [Commissioner's website](#).

## The Council responded to its financial pressures in 2012 by reviewing its leisure centres and outdoor recreation and leisure facilities, but given its stronger financial position for 2016-17 onwards, the Council can now take stock to adopt a more holistic and strategic approach to reviewing its sports and leisure services to ensure that together they can meet the future needs of its citizens

- 26 In November 2015, we undertook a review of whether the Council's Sport and Leisure Strategy was likely to meet the future needs of the Council and its citizens. Our report was issued to the Council in May 2015.
- 27 Our review concluded that the Council had responded to its financial pressures in 2012 by reviewing its leisure centres and outdoor recreation and leisure facilities. But, given its stronger financial position for 2016-17 onwards, the Council can now take stock to adopt a more holistic and strategic approach to reviewing its sports and leisure services to ensure that together they can meet the future needs of its citizens.

28 We came to this conclusion because:

- a the Council had reviewed its core leisure facilities but did not yet have a clear vision or an integrated sports and leisure strategy that set a clear direction for future leisure provision;
- b whilst there had been some good examples of stakeholder engagement, the Council lacked a project and engagement plan for developing an integrated sports and leisure strategy;
- c the Council had substantial budgetary pressures over the medium term, but had not yet fully addressed the growing financial risks in sports and leisure services; and
- d until recently, the Council's approach to addressing the challenges facing sports and leisure services had not been sufficiently strategic, but the Council was now strengthening its project management arrangements to help resolve this.

**The Council was taking a measured and mature approach in considering options for its waste and recycling service and had recognised areas that require strengthening**

29 We noted a number of positive aspects to the Council's approach including:

- a There was clear corporate ownership amongst members and officers of the approach to date.
- b Officers and senior cabinet members clearly understood the rationale for considering different options for its waste services.
- c The Council had knowledgeable and experienced officers within the waste and recycling service.
- d There had been early engagement of key senior officers, for example from finance and procurement, in consideration of different options.
- e The Council was pro-actively engaging with the Waste and Resources Action Programme (WRAP).
- f Officers had provided constructive challenge to the Kerbside Analysis Tool modelling exercises. This challenge was underpinned by the desire to ensure the Caerphilly local context was at the forefront of any consideration to service change, recognising that satisfaction levels of residents and members with the existing service was good.

- g The Council had not simply waited for the outcome of the work it is doing with WRAP to address its declining recycling performance. It had been proactive in addressing the problems associated with high levels of recyclate contamination, which contributed to its declining recycling performance in 2014-15.
  - h Members and officers had been proactively learning from the experience of other councils that had undergone a change to their waste and recycling collection arrangements, developed a Waste Transfer Station, and/or developed or expanded a Household Waste Recycling Centre.
  - i The Council's provisional 2015-16 end of year recycling performance was about 62 per cent, exceeding the statutory target of 58 per cent. The next statutory recycling target is 64 per cent in 2019-20M, so the Council was already making significant progress towards meeting this target.
- 30 Our review identified some areas, which we feel the Council would benefit from strengthening or developing further, such as:
- a Although the Council had not had a detailed project plan to shape its activities to date, this had not hindered the Council's progress. However, a formal project plan would be beneficial as the Council approaches key decisions about its waste services, to facilitate ongoing monitoring and implementation of key actions, timescales and decisions.
  - b The Council had a draft project plan and this needed to be updated and expanded as information and timings became more certain. The Council recognised that it needed a communication and engagement plan to do this, and we urged the Council to develop this as part of its project plan.
  - c The Council should ensure there is a robust and detailed assessment of options, which evaluates the impact, risk, sustainability, projected performance, and cost of each option. It is important that officers provide members with a full and robust options appraisal to enable them to make informed decisions on the future waste and recycling service requirements. Any options presented to members need to consider the requirements of the Well-being and Future Generations Act (Wales) 2015.

- d In order to develop an alternative solution to the current Material Recovery Facility contract with the City of Cardiff Council, the Council was considering taking a decision on whether to invest in a new Waste Transfer Station in autumn 2016. The draft project plan stated that the Council would make a decision on whether to change the service collection in autumn 2017. Ideally, the Council should consider taking these two key decisions on its waste and recycling activities at the same time. Future decisions on the Council's collection arrangements may influence the design of the waste transfer station. The Council needed to assure itself that it had considered all possibilities and implications of making these key decisions at different times. The Kerbside Analysis Tool modelling report only provided high-level costs for the development of a new waste transfer station, and the Council recognised that it needed a more detailed business case.

### **The Council had further improved its data quality assurance arrangements, resulting in increasingly robust data quality**

- 31 In October 2015, we assessed the robustness of the Council's arrangements to check that performance data is accurately captured, calculated and reported in a timely manner. We presented our findings to the Council's Audit Committee in November 2015.
- 32 Across the six performance indicators we examined, there were no major issues of accuracy or processes, indicating that corporate arrangements are effective. We identified a number of strengths in the Council's corporate arrangements, such as its risk assessment of national and local indicators, the use of standard data collection and assessment forms, as well as clear ownership of performance data within the directorates.
- 33 We suggested some ways in which the Council could further strengthen its data quality arrangements further. For example, escalating cases of late or non-completion of corporate forms, and focussing on local indicator definitions to ensure that systems are designed in a way to collect relevant data as accurately as possible. The Council is now in a better position to strengthen how it uses performance information to improve services.

# Use of resources

## Audit of the Council's accounts

- 34 On 27 November 2015, the Auditor General issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor, and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Annual Audit Letter can be found in [Appendix 4](#) of this report.

## **The Council had effective financial control arrangements and a track record of achieving savings in advance. However, it did not have a comprehensive medium-term financial plan, and monitoring progress of savings was fragmented.**

- 35 In April 2015, we published a national report on 'The financial resilience of councils in Wales'. This report was based on fieldwork carried out in all Welsh local councils.
- 36 Given the continuing pressures on funding for councils in Wales, we considered whether the Council had appropriate arrangements to plan, to secure and maintain its financial resilience in the medium term (typically three to five years ahead). We undertook a review during the period May to December 2015, and followed up issues highlighted in our 2014-15 financial resilience work. The focus of this review was on the delivery of 2014-15 savings plans, and the 2015-16 financial planning period. We issued this local report to the Council in April 2016.
- 37 Overall, we concluded that the Council had effective financial control arrangements and a track record of achieving savings in advance. However, the Council did not have a comprehensive medium-term financial plan, and monitoring progress of savings was fragmented. We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements:
- a the Council had a track record of operating within its budget, but its medium-term financial plan and supporting savings plans for future years were not yet fully developed;
  - b the Council's financial control arrangements were generally effective; and
  - c the Council's financial governance arrangements were generally sound, but there was a lack of regular whole Council savings monitoring reports to members.



# Governance

## The Council's response to our recommendations and proposals for improvements was supporting improvement in its self-evaluation and scrutiny arrangements, but further work remained to fully address weaknesses in Internal Audit and Human Resources, some of which were longstanding

- 38 In spring 2016, we undertook a review to assess the Council's progress in implementing recommendations from our previous work. We did this by undertaking specific follow-up work to determine progress in addressing the recommendations made in areas for improvement arising from the Special Inspection report published in January 2014, the Follow-up of the Special Inspection published in January 2015 and previous audit work relating to:
- a Self-evaluation
  - b HR and workforce planning
  - c Internal audit
  - d Scrutiny
- 39 Our review concluded that the Council's response to our recommendations and proposals for improvements was supporting improvement in its self-evaluation and scrutiny arrangements, but further work remained to fully address weaknesses in Internal Audit and Human Resources, some of which were longstanding.
- 40 We came to this conclusion because we found that:
- a the Council had arrangements in place to address external review recommendations and proposals for improvement but we had concerns that they had not been used effectively in driving the pace of improvement in some key priority areas;
  - b the Council had strengthened its approach to self-evaluation although there is scope to ensure critical workforce issues were consistently identified and addressed through service plans;
  - c the Council now had an agreed Human Resources strategy and workforce planning activities were taking place but as the Council develops its vision and considers the future shape of the organisation, it would benefit from identifying its workforce requirements more strategically to implement this vision;

1 Unless stated otherwise, the 'Programme' covers the committees and working groups, members and staff, and the overall delivery and service model.

2 The Section 33 agreement provides a formal basis for partnership working. The partners can employ a section 33 agreement as a mechanism to create pooled revenue and capital funding. The host's financial management and financial accounting rules apply. This means that the joint service can reclaim VAT as well as utilising other financial flexibilities available to local government bodies.

3 For the purposes of this report, reference to Programme Committees covers the Gwent Frailty Joint Committee, Operational Co-ordinating Group, the range of specialist sub-groups and local implementation structures.

- d whilst there were some signs that the Council was starting to improve the use of its Internal Audit service, progress had been slow until more recently and the Council would benefit from developing a wider assurance framework so that it can be assured that it was addressing its key risks; and
- e the Council was taking action to improve the effectiveness of scrutiny but the full impact of the changes would not be evident until later this year.

### **The Gwent Frailty Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme**

- 41 From April 2011, ABUHB and Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen Councils began implementing an ambitious integrated model of care called the Gwent Frailty Programme (the Programme)<sup>1</sup>. The Programme was funded by a Welsh Government Invest to Save loan and contributions from respective partners to create a pooled fund.
- 42 The Programme has legal status under a Section 33 partnership agreement<sup>2</sup> between ABUHB and the five Gwent councils. The agreement ran for three years commencing in April 2011. A Gwent Frailty Joint Committee was created as a decision-making body holding formal accountability under the Section 33 agreement. An Operational Co-ordinating Group, a range of specialist sub-groups, and local implementation structures also supported the work of the Frailty Programme Joint Committee<sup>3</sup>.
- 43 In November 2012, we reviewed the Programme and found that partners were strongly committed to the Gwent Frailty vision and had created a sound programme management framework to underpin it. We recognised that the Programme was in the early stages of implementation and it faced challenges to ensure the Programme was sustainable, to change established working practices, and to demonstrate its impact.
- 44 Our latest review in May 2015 focused on whether the Programme had delivered improvements in line with individual organisations' expectations.
- 45 We concluded that 'the Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme'.

46 We reached this conclusion because:

- a The Programme successfully brought together partners who invested time and resources to improve outcomes for frail elderly people, but the financial aims were not achieved, and outcomes remained difficult for partners to evidence.
- b Governance arrangements over the lifetime of the programme had been generally adequate but the Programme could have engaged partners better, benefited from clearer information and been more open about its business. We found that:
  - the governance arrangements provided for timely decision-making but partner organisations were not always kept adequately informed of important issues affecting the Programme, such as the emerging large underspend;
  - financial reporting arrangements within the Programme were adequate but performance reporting was not fit for purpose;
  - public transparency and decision recording started well but became weaker over time; and
  - routine scrutiny of decisions by the Gwent Frailty Joint Committee was not robust, although most partners reported annually through their own scrutiny arrangements.
- c The Programme benefited from strong commitment and was at a pivotal point in its journey but needed clarity of vision to succeed. We found that:
  - the Programme had benefited from a strong commitment from the partner organisations, this needed to be re-confirmed in the context of the financial and operational challenges facing the individual organisations; and
  - the future direction of the Programme was unclear, the partnership was at a pivotal point and partners were yet to agree a clear vision, which would need measurable outcomes and benefits.

# Appendix 1 – Status of this report

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

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

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

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

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

# Appendix 2 – Audit of Caerphilly County Borough Council's 2015-16 Improvement Plan

## Certificate

I certify that I have audited Caerphilly County Borough Council's (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

## Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

## Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit, I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

### **Huw Vaughan Thomas**

Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services  
Non Jenkins, Manager  
Martin Gibson, Performance Audit Lead

# Appendix 3 – Audit of Caerphilly County Borough Council’s assessment of 2014-15 performance

## Certificate

I certify that, following publication on 9 October 2015, I have audited Caerphilly County Borough Council’s (the Council) assessment of its performance in 2014-15 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure, and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

## Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Council to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Council has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Council has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Council has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.

## Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Council's assessment of performance, therefore, comprised a review of the Council's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

### **Huw Vaughan Thomas**

Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services  
Non Jenkins, Manager  
Sara-Jane Byrne, Performance Audit Lead



# Appendix 4 – Annual Audit Letter

Councillor Keith Reynolds  
Leader  
Caerphilly County Borough Council  
Penallta House  
Tredomen Park  
Ystrad Mynach  
CF82 7PG

27 November 2015

Dear Councillor Reynolds

## **Annual Audit Letter — Caerphilly County Borough Council 2014-15**

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

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

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/IASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2015, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 9 September 2015, and in an update letter on 29 September 2015.

A significant adjustment of £30m was made to the statement of accounts in respect of the valuation of Council Dwellings, which arose when more recent financial information was used to update the valuation.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

**I have not yet issued a certificate confirming that the audit of the accounts has been completed, but following the recent court judgement in the proceedings against certain members of the senior management team I intend to issue this certificate in the near future**

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems.

A more detailed report on my grant certification work will follow in early 2016 once this year's programme of certification work is complete.

The financial audit fee for 2014-15 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely

**Lynn Pamment**

For and on behalf of the Auditor General for Wales

## Appendix 5 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial Resilience of Councils in Wales</b></p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> <li>• is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;</li> <li>• maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and</li> <li>• should clearly articulate the desired role of the council in five years – the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.</li> </ul> <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> <li>• strengthen budget setting and monitoring arrangements to ensure financial resilience; and</li> <li>• review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.</li> </ul>

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial Resilience of Councils in Wales</b></p>	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<p><b>Achieving improvement in support to schools through regional education consortia – an early view</b></p>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (paragraphs 2.2 to 2.20). We therefore recommend:</p> <ul style="list-style-type: none"> <li>Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services).</li> </ul> <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> <li>As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy).</li> <li>• The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> <li>– information sharing and consultation about developments related to school improvement;</li> <li>– developing collaborative relationships of shared accountability; and</li> <li>– undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies.</li> </ul> </li> </ul> <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and</li> <li>• local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view</p>	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> <li>• improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements;</li> <li>• improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money;</li> <li>• make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level;</li> <li>• develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities;</li> <li>• develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees;</li> <li>• ensure the openness and transparency of consortia decision making and arrangements;</li> <li>• recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and</li> <li>• develop robust communications strategies for engagement with all key stakeholders.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p><b>Review of Corporate Safeguarding Arrangements in Welsh Councils</b></p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements;</li> <li>• the appointment of a lead member for safeguarding; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> <li>• ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children;</li> <li>• creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and</li> <li>• requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement.</li> </ul> <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> <li>• ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes;</li> <li>• creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and</li> <li>• requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> <li>• benchmarking and comparisons with others;</li> <li>• conclusions of internal and external audit/ inspection reviews;</li> <li>• service-based performance data;</li> <li>• key personnel data such as safeguarding training, and DBS recruitment checks; and</li> <li>• the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities.</li> </ul> <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>



Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services;</li> <li>• realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people;</li> <li>• the appointment of a member champion for older people's services; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> <li>• ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and</li> <li>• engaging with residents and partners in the development of plans, and in developing and agreeing priorities.</li> </ul> <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.</li> </ul>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> <li>• setting out how changes to services or cuts in budgets will affect groups with protected characteristics;</li> <li>• quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics;</li> <li>• indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and</li> <li>• ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them.</li> </ul> <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> <li>• setting a performance baseline at the start of projects to be able to judge the impact of these overtime;</li> <li>• agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and</li> <li>• improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less – leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focusing on the Council’s position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul> <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council’s agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council ‘subsidy’;</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the Council’s wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less – leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council ‘subsidy’;</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of ‘new commercial’ initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul> <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected Members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>



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