

Caerphilly County Borough Council Annual Audit Summary 2021

This is our audit summary for Caerphilly County Borough Council. It shows the work completed since the last Annual Audit Summary, which was issued in January 2021. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

About the Council

Some of the services the Council provides



Key facts

The Council is made up of 73 councillors who represent the following political parties:

- Labour 49
- Plaid Cymru 18
- Independent 6

The Council spent £364.9 million on providing services¹ during 2020-21, the fifth-highest spending of the 22 unitary councils in Wales.

¹ We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

Key facts

As at 31 March 2021, the Council had £137.2 million of usable financial reserves². This is equivalent to 37.6% of the Council's annual spending on services, the second-highest percentage of the 22 unitary councils in Wales³.

Caerphilly County Borough Council has 11 (10%) of its 110 areas deemed the most deprived 10% of areas in Wales, this is the ninth-highest of the 22 unitary councils in Wales⁴.

Caerphilly County Borough Council's population is projected to increase by 1.5% between 2020 and 2040 from 181,585 to 184,340, including an 8.1% decrease in the number of children, a 3.5% decrease in the number of the working-age population and a 26.4% increase in the number of people aged 65 and over⁵.

The Auditor General's duties

We completed work during 2020-21 to meet the following duties

- **Continuous improvement**

The Council had to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General had to assess whether the Council met these requirements during 2020-21.
- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.
- **Value for money**

The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.
- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

² We define usable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

³ Source: 2020-21 Statement of Accounts

⁴ An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

⁵ Source: Stats Wales



We continue to recognise the huge strain on public services and to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

What we found

Audit of Caerphilly County Borough Council's 2020-21 Accounts

Each year we audit the Council's financial statements.

For 2020-21:

- the Auditor General certified an unqualified true and fair opinion on the Council's financial statements on 18 October 2021. While this date was after the statutory deadline of 31 July, it was ahead of the Welsh Government's revised deadline of 30 November. The Welsh Government had set the later deadline to help councils and auditors manage the ongoing repercussions of the COVID-19 pandemic.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit on 15 July 2021 was generally good. We are due to raise a number of audit recommendations for improvements to the Council's accounting processes. This year's recommendations are fewer in number than in 2019-20, reflecting the Council's progress.
- a number of changes were made to the Council's financial statements arising from our audit work. We presented our Audit Accounts Report to the Governance and Audit Committee on 12 October 2021 and to full Council on 14 October 2021.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues.
- the Auditor General issued the certificate confirming that the audit of accounts for 2020-21 has been completed.

Our work in response to the COVID-19 pandemic

In response to the COVID-19 pandemic, we changed the approach and focus of our performance audit work in local government and other bodies. Below is a summary of some of the work we have undertaken in response to the pandemic across a number of sectors, much of which is of relevance to local government.

We undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking and share practice. [Further information is available on our website.](#)

In March 2021, we published a [national report](#) setting out an overview of progress to date on Test, Trace, Protect in Wales. In December 2020, we also published some [observations](#) of the Auditor General on the procurement and supply of PPE during the COVID-19 pandemic, followed by a [report](#) in April 2021. In June 2021, we also published our [report](#) on the rollout of the COVID-19 vaccination programme in Wales.

Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

As part of our examination of councils' performance assessments covering the 2020-21 financial year, we noted a reduced reference to comparative performance information although we recognise that the pandemic led to the suspension of some national data collection. The ability to compare data and performance with other organisations will continue to be an important element of arrangements to secure value for money and will be a challenge for councils to consider particularly as they continue to implement the requirements relating to self-assessment set out in the Local Government and Elections Act (Wales) 2021.

Financial sustainability

During 2020-21, we examined the financial sustainability of each council in Wales. In July 2021, we concluded that the Council continues to have a strong financial position, although its current medium-term financial plan is underdeveloped. We found that the Council's usable reserves have increased further in the past year and remain at a high level and that the Council continues to underspend against its revenue and capital budgets. We noted that while the Council has a good track record of delivering its planned savings, it has no further planned savings within its current medium-term financial plan. Finally, we found that the Council has maintained a strong liquidity position for many years. We made three proposals for improvement which the Council accepted fully.

The [full report is on our website.](#)

We also published two national summary reports: the [first report](#) in October 2020 and the [second report](#) in September 2021.

Delivering Good Governance

We set out in our Annual Audit Letter in October 2019 that we would undertake a review of the Council's governance. In conducting our review, we said that we would consider the content and robustness of the Council's self-assessment, as well as drawing, where relevant, on previous audit findings.

We had initially planned that our review should answer the question: 'Is the Council improving its governance arrangements so that they support its transformation agenda'? However, because of the COVID-19 pandemic we instead focused more narrowly on the robustness of the Council's arrangements for the delivery of its Transformation Strategy.

Overall, we found that aspects of the Council's arrangements are not yet sufficiently well developed to support the increasing scale of the Council's wide-ranging transformation programme.

We reached this conclusion because:

- the Council's incomplete assessment of its own arrangements focused too heavily on the existence of documents and processes rather than on their impact and effectiveness; and
- the Council's ambition has increased, and aspects of its arrangements are not yet sufficiently well developed to ensure a rigorous and consistent focus on corporate priorities.

The [full report is on our website](#).

Recovery planning

During 2020-21, we reviewed the arrangements that each council in Wales was putting in place to support recovery planning. We undertook this work on an ongoing basis, providing real-time and ongoing feedback where appropriate. Our key findings included the following areas for consideration by the Council:

- strengthening the Strategic Recovery Framework it has adopted to guide its recovery from the pandemic by clarifying measures of success;
- ensuring that its recovery processes take account of the Climate emergency, and that the outcomes of its Decarbonisation strategy are integral to any proposed changes to the delivery of Council services;
- continuing to use the Sustainable Development Principle to help inform its thinking when undertaking its corporate reviews, particularly with a view to understanding the needs of local communities who will have been impacted in varying ways by the ongoing pandemic;
- ensuring that its programme management arrangements for the corporate reviews provide rigorous oversight and challenge to maximise the benefits achieved;
- the need to effectively align the Strategic Recovery Framework's aims and principles to the forward work programmes of Cabinet and Scrutiny committees, due to the potential scale of the changes being considered; and
- that the forward work programmes of Cabinet and Scrutiny committees are themselves effectively aligned, given the scale of strategic change proposed by the Council under its Strategic Recovery Framework, transformation programme and Place shaping and Well-being Framework.

Other inspectorates

We also took into account Assurance Check findings undertaken by Care Inspectorate Wales (CIW) and Estyn reports as well as any subsequent actions taken by the Council in response. In March 2021, CIW and Healthcare Inspectorate Wales published their joint National review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales. They identified a number of key findings and recommendations in their [full report](#). In November 2021, CIW also published its [national overview report of assurance checks in Wales](#) and [‘Let me flourish’](#), a national review of early help, care and support and transition for disabled children in Wales.

Estyn did not undertake an inspection of Local Government Education Services in Caerphilly during 2020-21.

Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

Discretionary services (April 2021)

Financial pressures have led to councils reducing spending and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy. We focussed on how councils define services, the systems and processes they have used to review services and how robust these are. Demand for some essential services is continuing to increase and councils are not confident that they can continue to deliver these services in the face of this rising and complex demand. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Our [report](#) was published in April 2021.

Regenerating town centres in Wales (September 2021)

Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space. However, past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres. And the pandemic has created challenges for local government and central government, with one in seven shops on Welsh high streets now empty, despite the Welsh Government investing and leveraging in £892.6 million in the last seven years. Local authorities do not have the capacity to respond to this situation and are not always using the powers they have to help regenerate towns. To deliver the best local outcomes, policies and joint working need to be aligned and integrated, and resources prioritised on town centres. Our [report](#) was published in September 2021.

Planned work for 2021-22

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

The most significant risk and issue facing councils and the wider public sector during 2021-22 continues to be the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our planned work for 2021-22 includes:

- Assurance and risk assessment including a focus on:
 - The Local Government and Elections Act (Wales) 2021
 - Recovery planning
 - Carbon reduction plans
 - Self-assessment arrangements
 - Financial position
- Springing Forward – as the world moves forward, learning from the pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- Improvement reporting audit – audit of discharge of duty to publish an assessment of performance.
- Local risk-based project – further updates to be provided to the Governance and Audit Committee following further discussion with the Council.

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

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

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

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.