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Service Based Budget Review

Caerphilly County Borough Council

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Status of report

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Summary report

In the services we reviewed, the Council has made savings ahead of schedule and maintained performance despite using less resource but savings are not being explicitly monitored and evaluated

1. Following the May 2010 election, the UK Government carried out a Spending Review, which was finalised in October 2010. Overall, councils in Wales had a £155 million (3.8 per cent) real-terms reduction in their revenue funding from the Welsh Government in 2011-12. The indicative figures show that, in real terms, the revenue funding from the Welsh Government will be around £283 million (seven per cent) lower in 2013-14 than 2010-11. The Welsh Government is challenged with meeting these cuts in funding for Wales, which means that all councils in Wales have to make difficult decisions on how they deal with reductions in funding, which are impacting directly on local services and people. Councils are therefore under increasing pressure to reduce costs but still have a duty to have arrangements to secure continuous improvement.
2. These sustained real-terms cuts are unprecedented in modern times, and most of those leading and working in councils today have never had to deal with financial challenges of this nature. Councils are being tested in how they respond to this challenge. The scale of cost reduction required means that councils will have to look beyond immediate short-term savings and think more radically about how to take cost out of the business and how to sustain this longer term whilst still improving services. Cutting spending effectively requires departments to take a strategic overview to avoid an erosion of service quality in priority delivery areas. Services should clearly prioritise what matters most, based on an accurate, realistic assessment of the costs, benefits and risks of the options.
3. This review has been completed across all councils in Gwent. In reporting the work we have focussed both on the Gwent-wide perspective for comparative purposes but also the specific circumstances of each council with regards to budget usage and performance. The report considers how well Caerphilly County Borough Council (the Council) is managing with less resources. We concluded that in the services we reviewed, the Council has made savings ahead of schedule and maintained performance despite using less resource but savings are not being explicitly monitored and evaluated.

Councils in Gwent face significant challenges to continue to deliver and improve essential services in a changing environment with less money and fewer staff

4. In part one of the report we present information on the scale of the financial challenge in Wales and across the Gwent region. We conclude that councils continue to provide many services that positively impact upon communities and the everyday lives of Welsh citizens. However, following the UK Spending Review, Welsh councils face real-terms funding cuts.

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5. In the last 12 to 18 months there have been significant changes in the make-up of those leading, managing and working in councils in Gwent. Revenue budget expenditure, whilst marginally falling in recent years, is expected to decline significantly from 2013-14 onwards and the level of usable General Council Fund reserves within Gwent councils has marginally fallen but especially in Blaenau Gwent County Borough Council.
 6. We also found that the number of staff employed by councils in Gwent has reduced by five per cent in the last three years and is predicted to significantly reduce from 2013-14 onwards. Sickness absence has either stayed broadly the same or fallen in Gwent councils with the exception of Monmouthshire County Council where it has increased significantly in recent years. The cost of agency staff, whilst growing in Gwent councils, remains below the Welsh average in all Gwent councils apart from Newport where costs are significantly higher.

Savings have been achieved in advance of need and the Council's day-to-day budget monitoring is sound but there are weaknesses in how some savings are monitored and their delivery is evaluated

7. In part two of the report we provide an analysis of the Council's corporate approach to reducing expenditure and how effective this has been in delivering and managing the savings it has approved. We found that the Council has a good understanding of the cost pressures it faces and has good systems in place to frequently assess and review financial management and budget performance. It has communicated the financial challenges it faces to staff, who have a common understanding of the future cost pressures. The Council has an established process for identifying and agreeing savings and preparing a Medium Term Financial Plan but lacks a mechanism to formally and explicitly link these to the cost of delivering its corporate priorities. The Council does not explicitly monitor and evaluate the delivery of its savings. We found that the Council's human resource related policies and approach to vacancy management have played a key role in helping the Council to deliver savings and reduce expenditure.

On the whole, the performance of the Council's Environmental Health, Housing and Waste Management services is improving or being maintained despite small real-term reductions in budgets

8. In part three we consider how the Council is reducing expenditure and delivering savings in specific services. Our review focussed on three service areas – Environmental Health, Housing and Waste Management – to understand how well these individual services are planning and delivering savings. This part of the report concludes with an assessment of how the reductions in expenditure are impacting on current performance and whether services are continuing to meet their statutory obligations and remaining sustainable, considering the future challenges they face.

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9. We found that Environmental Health services are managing with fewer resources and performance is mostly improving but it is unclear if the service is sustainable in the medium to long term. In terms of Housing services, the housing budget has remained static but the Housing service performance is mixed and it faces considerable challenges going forward. Finally, Waste services are managing well with fewer resources and performance continues to improve and remain in the top quartile in Wales.

Proposals for improvement

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| P1 | The Council should ensure that its corporate priorities and improvement objectives are formally considered in the determination of its savings programme and influence its medium-term financial plan. |
| P2 | The Council should separately monitor and evaluate the delivery of its savings to enable more effective scrutiny of their delivery. |

10. Please note – all data included in [Exhibits 2 to 18](#) is taken from national returns provided by the individual councils to the Welsh Government; Stats Wales; and/or Benchmark Wales.

Detailed report

Councils in Gwent face significant challenges to continue to deliver and improve essential services in a changing environment with less money and less staff

Councils provide many services that positively impact upon communities and the everyday lives of Welsh citizens

11. Welsh local government plays a pivotal role in shaping and supporting communities and providing community leadership and democratic representation. Councils also provide a range of vital front-line services and have statutory responsibilities for many things that affect people's lives. These include planning and transport, environmental health, social services, housing, waste management and promoting equality and sustainable development. The Local Government Association in England estimates that councils provide over 700 separate services to the public.
12. Local government also provides a range of vital non-statutory services, including services that are often unseen or are taken for granted, such as leisure and culture, and crucially the regeneration of local areas. In addressing these responsibilities, authorities work closely with communities and other stakeholders.
13. Whilst councils are responsible for the provision of many services, those services are not always delivered directly by the Council and may be delivered by third sector or private sector partners or jointly with other councils or agencies. The scale of services is also changing, with an increasing emphasis and expectation from the Welsh Government that certain services, such as education, waste and social services, should be delivered jointly or across regions. In April 2013 the First Minister also launched a review into how public services are delivered in Wales, stating that he wants to hold the sector accountable for its performance and has established a commission to examine how public services are governed.
14. This review has been completed across all councils in Gwent using the same methodology. In reporting the work we have focussed both on the Gwent-wide perspective for comparative purposes but also the specific circumstances of each council with regards to budget usage and performance. Gwent covers the five single tier councils of Blaenau Gwent; Caerphilly; Monmouthshire; Newport; and Torfaen. The 2011 Census recorded that the population of Gwent was 571,151.

Following the UK Spending Review, Welsh councils face real-terms funding cuts

15. Following the May 2010 election, the UK Government carried out a Spending Review, which was finalised in October 2010. The Spending Review aims to eliminate the UK's structural deficit over a five-year period. In order to achieve this goal, the UK Government intends to cut spending on public services and welfare across the lifetime of the current Parliament. The Institute for Fiscal Studies (IFS) highlights that cuts of this nature have not been seen in the UK since at least the 1950s. Public services face real-terms cuts every year for five years; since 1950 spending in UK services has never been cut in real terms for more than two years consecutively.
16. The Welsh Government will see a real-terms reduction of 12.4 per cent in the funding available from the Treasury between 2010-11 and 2014-15, using the Welsh Government's baseline. This reduction includes a nine per cent reduction in revenue funding over that period, falling from £13.445 billion in 2010-11 to £12.36 billion in 2014-15. Capital funding is predicted to reduce by 40.2 per cent over this period falling from £1.674 billion in 2010-11 to £1 billion in 2014-15¹.
17. Following the Final Budget in 2011, the Welsh Government announced its final revenue settlement for local councils in Wales in the next three years. Overall, councils in Wales had a £155 million (3.8 per cent) real-terms reduction in their revenue funding from the Welsh Government in 2011-12 on 2010-11 budgets. The indicative figures show that, in real terms, the revenue funding from the Welsh Government will be around £283 million (seven per cent) lower in 2013-14 than 2010-11. The financial impact of the cuts in central government funding will vary between councils. Because local government funding is calculated using socioeconomic factors, more affluent areas take a lower proportion of their income from the Welsh Government.

There have been significant changes in the make-up of those leading, managing and working in councils in Gwent in recent years

18. The political landscape in Gwent has changed as a result of the May 2012 Local Government elections in Wales, with all five councils seeing a change in their political administrations (see [Exhibit 1](#)). It takes time for new councils to become fully established, and for newer elected members to develop an in-depth understanding of the context into which they will implement their manifesto priorities.

¹ Revenue expenditure is the day-to-day cost of providing services and includes employee costs, supplies such as food and fuel, and materials for routine repairs. Capital expenditure is the expenditure incurred on long-term assets such as schools, major repairs and refurbishment of other buildings and acquiring large items of equipment such as vehicles which will be used over time in providing services.

Exhibit 1: Change in political administrations in Gwent

All Councils have seen a change in administration in the last year and three have new leaders.

Council	Administration prior to May 2012 Election	Administration post May 2012 Election	New Leader post May 2012 Election
Blaenau Gwent	Independent	Labour	Yes
Caerphilly	Plaid Cymru/ Independent coalition	Labour	Yes
Monmouthshire	Conservative	Conservative/Liberal partnership	No
Newport	Conservative led coalition	Labour	Yes
Torfaen	Labour minority administration	Labour	No

Source: BBC, Welsh Council Election Results, May 2012.

19. As well as significant changes in political leadership, there continues to be substantial changes at a senior officer level in Gwent. In the last three years, three of the five councils have appointed new chief executives. There has also been significant change in other senior manager positions as councils look to save money and put in place structures which best suit the service context now and in the future. There has been a continuing move to smaller management teams and changes have been made in all Gwent councils to reduce costs.
20. Steps to reduce the number of senior managers in any organisation are often accompanied by changes in management structures at lower management levels, coupled with an attempt to change the culture to empower managers across the council. This often takes time to embed and become fully effective and requires, in particular, strong leadership skills, and capacity and capability at 'head of service' and operational manager level.
21. Management restructuring brings additional demands on senior managers when it comes at a time when they also need to support new political arrangements and manage substantial pressures on finances and services. Councillors need to ensure their councils maintain senior managers' skills and build resilience and capacity and efficiency within their new smaller senior management teams.

Revenue budget expenditure has fallen marginally in recent years, but is expected to decline significantly from 2013-14 onwards

22. Councils are managing their finances in challenging economic circumstances and against a backdrop of increasing demand for services. Cost pressures have to be managed alongside substantial service demand pressures relating to, for example, looked-after children, supporting people most affected by economic recession and welfare reform, and the effect on services of the ageing population. Many of the services which councils provide are currently mandatory/statutory, leaving limited room for manoeuvre in budgets.
23. Using data published by the Welsh Government which is based on returns from the 22 Welsh councils, we found that between 2010-11 and 2012-13 the five councils in Gwent have continued to set budgets that total nearly £1 billion per year. Over this same period there has been a net decrease of approximately £10 million in the combined budgets of all five councils, with three councils seeing a fall in budget totals – Monmouthshire, Newport and Torfaen – and two an increase in budgets – Blaenau Gwent and Caerphilly. (See [Exhibit 2](#) below).

Exhibit 2: Actual Revenue Budgets set by Gwent Councils 2010-11 to 2012-13

Budgeted expenditure in Gwent has remained consistent at nearly £1 billion in recent years.

Council	2010-11 (£'000)	2011-12 (£'000)	2012-13 (£'000)
Blaenau Gwent	£133,528	£134,180	£134,370
Caerphilly	£306,152	£302,836	£306,200
Monmouthshire	£142,970	£140,523	£139,981
Newport	£235,066	£231,340	£227,761
Torfaen	£163,212	£160,973	£162,308
Total	£980,928	£969,852	£970,620

Source: Welsh Government, Revenue Budgets set at start of financial year (data has not been subject to audit).

24. In terms of actual revenue expenditure, all councils have recorded net increases in spending in each of the financial years in the period 2009-10 to 2011-12. In 2011-12, the level of expenditure in three of the five councils – Blaenau Gwent, Caerphilly and Newport – was lower than the budgets set by each council. In Monmouthshire and Torfaen actual expenditure in 2011-12 was higher than the budget levels set by each of the two councils – see [Exhibit 3](#).

Exhibit 3: Actual net revenue expenditure by Gwent Councils 2009-10 to 2011-12

Revenue expenditure in Gwent has increased in recent years but remains well below the budgets set.

Council	2009-10 (£'000)	2010-11 (£'000)	2011-12 (£'000)
Blaenau Gwent	£124,094	£126,570	£131,196
Caerphilly	£286,138	£300,196	£292,759
Monmouthshire	£133,279	£139,859	£142,534
Newport	£225,668	£228,203	£230,776
Torfaen	£151,927	£158,300	£163,151
Total	£921,106	£953,128	£960,416

Source: Welsh Government, Revenue Outturn (data has not been subject to audit).

The overall level of usable General Council Fund reserves within Gwent councils has fallen marginally, but significantly in Blaenau Gwent

- Usable reserves are sums of money accumulated by councils to help them manage future costs that are: predictable or planned – such as asset purchases or redundancies ('earmarked' reserves); or unpredictable – such as increased demand for services or reduced levels of income ('general' reserves). Councils can utilise reserves to help them to balance their budgets where savings plans do not achieve expected results or income is less than anticipated. Councils could also increase reserves if income levels are higher than expected, or spending is lower than expected or predicted. Usable General Council Fund reserves can be used to fund future expenditure.
- Financing recurrent expenditure from reserves is not normally regarded as a prudent long-term strategy. Having a prudent level of reserves is a key element of financial stability. We found that the level of usable reserves across the five Gwent councils marginally fell from £32.8 million in 2009-10 to £31.9 million in 2011-12. Within the five councils, Blaenau Gwent has seen a 60 per cent fall in reserves, with the amount declining from £5.7 million to £2.2 million and Caerphilly a marginal fall of 1.3 per cent, from £12.9 million to £12.8 million. The other three councils all increased the level of usable General Council Fund reserves between 2009-10 and 2011-12. In Monmouthshire the increase was 22 per cent; in Newport 0.2 per cent; and in Torfaen 38 per cent – [Exhibit 4](#).

Exhibit 4: General Council Fund reserves for Gwent Councils 2009-10 to 2011-12

The level of usable General Council Fund reserves in Gwent has marginally fallen in recent years.

Council	2009-10 (£'000)	2010-11 (£'000)	2011-12 (£'000)
Blaenau Gwent	£5,715	£3,509	£2,259
Caerphilly	£12,984	£16,622	£12,808
Monmouthshire	£5,051	£5,760	£6,184
Newport	£4,990	£5,010	£5,000
Torfaen	£4,090	£4,970	£5,650
Total	£32,830	£35,871	£31,901

Source: *Benchmarking Wales*.

The number of staff employed by councils in Gwent has reduced by five per cent in the last three years and is predicted to significantly reduce from 2013-14 onwards

27. A significant proportion of council spending is on staffing. At a time of financial pressures, balanced budgets have been achieved mainly by reducing staff numbers. This includes voluntary early release and vacancy management, where staff that leave are not replaced. This trend is set to continue as councils look to further reduce staff costs as part of their strategies for achieving additional budget reductions.
28. The Office for Budget Responsibility (the OBR) predicts that across the UK, there will be 320,000 fewer jobs in the public-sector workforce. Applying the OBR's method for calculating this figure for Wales, it is estimated that from 2011 onwards there will be an estimated 21,000 public-sector job cuts².
29. Information reported through *Benchmarking Wales*³ shows that the number of full time equivalent (FTE) employees across the five Gwent councils has fallen from 22,550 in 2009-10 to 21,389 in 2011-12. This equates to a fall of 5.1 per cent in the number of FTE staff employed by the Gwent councils – Exhibit 5.

² Wales Audit Office, *Picture of Public Services*, October 2011.

³ *Benchmarking Wales* is a repository for local authority service improvement data.

Exhibit 5: Full time equivalent staff employed by Gwent councils 2009-10 to 2011-12:

The number of FTE council staff has fallen by approximately five per cent in the last three financial years.

Council	2009-10 (FTEs)	2010-11 (FTEs)	2011-12 (FTEs)
Blaenau Gwent	3,313	3,091	3,002
Caerphilly	6,943	6,700	6,723
Monmouthshire	2,965	3,149	2,733
Newport	5,437	5,356	5,094
Torfaen	3,892	3,942	3,837
Total	22,550	22,238	21,389

Source: *Benchmarking Wales*.

30. In terms of the individual councils, Blaenau Gwent has seen the largest reduction with the number of FTE staff falling by 9.4 per cent between 2009-10 and 2011-12. Monmouthshire has seen a reduction of 7.8 per cent; Newport 6.3 per cent; and Caerphilly 3.1 per cent in this period. Torfaen recorded the lowest fall of 1.4 per cent in the same period.

Sickness absence has either stayed broadly the same or fallen in Gwent councils, with the exception of Monmouthshire County Council where it has increased significantly in recent years

31. With fewer staff comes the assumption that employees will be expected to do more. Some absence due to sickness is inevitable within any large organisation. Absence is, however, costly. It has an adverse effect on the level and quality of service that councils provide and can place pressure on other staff. This is particularly salient when councils are reducing the number of staff they employ.
32. National data on sickness absence is limited and only looks at the average number of working days lost per employee. Comparatively, on this particular measure, Blaenau Gwent has seen an improvement in performance with the average number of days lost per employee falling from 13.3 days to 9.9 days between 2007-08 and 2011-12. This places the Council well below the Welsh average of 10.4 days in 2011-12. Likewise both Caerphilly and Torfaen have recorded a fall in sickness absence rates in this period, although Torfaen was marginally above the Welsh average in 2011-12. Newport has seen a marginal increase in the average number of working days lost per employee, rising from 10.1 days in 2008-09 to 10.4 days in 2011-12 but is on par with the Welsh average. Monmouthshire has seen a significant increase in sickness absence with the average number of working days lost per employee rising from

8.6 days in 2007-08 to 13.3 days in 2011-12. This was the second highest figure in Wales in 2011-12 and well above the Welsh average – **Exhibit 6**.

Exhibit 6: The average number of working days lost per employee in Gwent Council 2007-08 to 2011-12

Sickness absence is falling in all Gwent councils except Monmouthshire.

Service Budget	2007-08	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	13.3	11.9	10.2	9.6	9.9
Caerphilly	11.2	13.5	11.8	11.2	10.2
Monmouthshire	8.6	8.9	13	13.2	13.3
Newport	Not reported	10.1	11	10	10.4
Torfaen	13.4	11.4	10.3	9.7	10.5
Wales	11.6	11.5	10.9	10.3	10.4

Source: *Benchmarking Wales*.

The cost of agency staff, whilst growing in Gwent councils, remains below the Welsh average apart from Newport where costs are significantly higher

33. As councils strive to manage reducing resources and ensure they have the exact amount of people on board to fulfil operational demands, using temporary or agency⁴ staff has become a means of ensuring short-term demands can be managed. According to the latest figures from the International Confederation of Private Employment Agencies (CIETT), the UK has the highest number of temporary workers in Europe, with over 1.3 million temporary staff working in the UK, which equates to five per cent of the UK workforce.
34. The use of agency staff in councils is now a permanent feature of service delivery and, for many organisations, it has become integral in maintaining services. Agency staff can be quickly deployed to cope with unforeseen demand, sickness and holiday absence and maternity leave and can provide extra support during seasonal ‘peak’ periods like the financial year-end. They can also be more costly and do not offer a sustainable medium to long-term solution in comparison to permanent employees. Indeed, the increasing use of agency staff can also be caused by growing pressures in services where cuts have been made in the permanent workforce and are used to compensate for the loss of capacity in the permanent workforce and a need to continue to deliver statutory services. In these situations, increasing the use of agency staff can be seen as a service pressure indicator.

⁴ Agency workers are ‘employed’ by an agency which finds them jobs. The Council which hires the worker pays a fee to the agency and the agency pays the employee their wages.

35. In the last two years the amount spent individually by the five councils in Gwent on agency staff has grown, although all councils, with the exception of Newport, remain below the Welsh average – **Exhibit 7**. The total agency staff bill rose from £9.2 million to £10.7 million between 2010-11 and 2011-12.

Exhibit 7: Full time equivalent staff employed by Gwent Councils 2010-11 and 2011-12

The cost and use of agency staff in Gwent councils is mostly growing.

Council	2010-11 Cost of agency staff	2010-11 Agency staff as a % of the total pay bill	2011-12 Cost of agency staff	2011-12 Agency staff as a % of the total pay bill
Blaenau Gwent	Not reported	Not reported	£1.5 million	1.53%
Caerphilly	£2.2 million	1.01%	£3.1 million	1.4%
Monmouthshire	£1 million	1.02%	£1.1 million	1.15%
Newport	£4.8 million	2.88%	£4 million	2.56%
Torfaen	£1.2 million	1.0 %	£1 million	1.15%
Wales	£58.1 million	1.7%	£56.8 million	1.59%

Source: *Benchmarking Wales*.

Savings have been achieved in advance of need and the Council’s day-to-day budget monitoring is sound but there are weaknesses in how some savings are monitored and their delivery is evaluated

36. With the challenging economic climate in recent years, councils have had to make decisions on reducing expenditure to balance budgets. Achieving these savings is becoming progressively more challenging. To date, many of the decisions made by public sector bodies faced with these difficult challenges have been based on a survival imperative, making decisions to balance the bottom line. Consequently they have focussed on what are comparatively easy to deliver reductions, such as the deleting of vacant posts and reducing operating budgets such as training, equipment and office supplies. However, most councils are predicting substantial funding gaps over the next three years and now need to consider different policy options which in the past may have been rejected.
37. Effective disinvestment in services is not just about reducing expenditure. It also needs to consider a range of other important factors – the organisation’s strategic priorities, its statutory responsibilities, the current levels and standards of performance and other short-to-medium-term challenges that it will face. Cutting budgets, if not done within an

informed strategic approach, raises risks that services, and the council itself, become unsustainable.

38. In this part of the report we provide an analysis of the Council's approach to reducing expenditure and how effective this has been in delivering and managing the impact of the savings to date.

The Council's well-established processes for identifying savings are not formally linked to its corporate priorities and savings are not explicitly monitored and evaluated

39. The Council has a good track record in delivering revenue budget savings and operating within its budget, and delivered a £12.8 million surplus on its 2011-12 budget.
40. The Council's Medium Term Financial Plan highlights its financial position in both the short and medium term, and takes into account a range of potential cost pressures. It has, for example, made provision for the cost of implementing the Living Wage and future pay awards. The Council has also taken the opportunity to convert the pay freeze over the past three years into voluntary contributions to help address the pension deficit. In [Appendix 1](#) we set out some of the key challenges councils currently face and need to reflect on in future budget-setting rounds.
41. The Council's prudent approach to managing its finances allows the Council to anticipate its future financial environment and to manage its financial risks. As part of its annual budget proposals, the Council updates its plan to provide a rolling three-year forecast of its financial position, to identify potential savings targets for future years and to set out the level of savings already secured.
42. Where the Council secures savings ideas before they are required, that is before the relevant budget reduces, it converts the resulting one-off revenue savings into capital, which is then carried forward for use in future years. This provides protection for the Council's capital programme.
43. Many of the Council's savings have been achieved through vacancy management and improvements to processes and systems. The annual budget-setting process identifies where savings need to be made. For example, the Council has already achieved over £5 million in savings for 2013-14 and is currently looking to identify savings for 2015-16.
44. The Council has an established process for identifying and agreeing its savings, which involves both members and services. The process followed by the Council is that initial savings targets are agreed by the Corporate Management Team in consultation with the Cabinet and allocated to directorates on a pro-rata basis approximately in line with the size of their budgets. Due to protection and growth given to the education and social services' budgets, the main impact is on leisure, libraries, environment and the corporate centre.

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45. Once initial savings targets are agreed, services are then required to develop a range of options to meet these savings targets, which are subsequently discussed and challenged at Departmental and Corporate Management Team meetings. A seminar is held following the identification of the proposed savings by directorate to discuss these with Members. Significant or potentially sensitive savings options are discussed by the appropriate Scrutiny Committee. Examples of such options include the closure of Tŷ Darren care home and changes to cash office arrangements. Final budget proposals are approved by Members.
 46. The Council's priorities and improvement objectives, therefore, are not explicitly considered in determining the initial savings targets. Whilst officers informed us that they do guide members on priorities and the need to protect certain services, no formal process exists to ensure corporate priorities are taken into account. A presentation to the Members' seminar in January 2013, for example, makes no specific reference to the Council's priorities.
 47. Budget reporting also takes place at various levels within the Council. There are regular updates of the Medium Term Financial Plan to the Cabinet during the year as well as quarterly budget monitoring reports to relevant Scrutiny Committees. Budget monitoring at both an officer and Member level within the Council is sound with clear reports that track variances and movements in reserves and current budget performance. 'Hot spot' reports identifying areas of concern are regularly discussed at the Corporate Management Team. Reports to Members highlight and explain significant under and overspends, and identify potential cost pressures.
 48. Whilst the Council has a good track record in delivering revenue budget savings and operating within its budget, we found that there is no monitoring of the individual savings targets agreed – as they are intended to be identified and implemented in advance. The focus is on delivering a balanced budget. If this is achieved, then it is assumed that the necessary savings have been delivered as part of the budget. Monitoring of savings is not undertaken as a separate exercise; rather it is embedded within regular budget monitoring.
 49. Without explicit monitoring of savings, the achievement of a balanced budget may mask failure to deliver agreed savings, particularly if there are one-off factors which were not part of the savings plan but which reduce net spending. For example, achievement of a balanced budget may be due to a one-off underspend rather than the achievement of a savings plan.
 50. The lack of discrete monitoring of savings also undermines the Council's ability to evaluate and learn from those savings plans that were met in full and those that were not to inform discussions and decisions about future savings proposals. Simply focusing on the monitoring of a balanced budget would assume that all the agreed savings plans had been achieved. As the Council faces more difficult savings requirements, it will become increasingly important to separately monitor the performance of savings plans, particularly where recurrent savings are required.

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- 51.** The Council has now been informed of the level of government funding it will receive for 2014-15 and indicative funding for 2015-16. Overall, the Council is receiving a three per cent reduction in funding for 2014-15; £10 million less than the indicative level of funding announced in October 2012. The Council has subsequently identified the need to achieve savings of £14.53 million for 2014-15 with further additional savings of £6.54 million for 2015-16 and £7.06 million for 2016-17. The Council recognises that difficult decisions will need to be made about its services and staffing levels. Member seminars have been organised for October and November to discuss the options for achieving the savings required before the budget and a revised Medium Term Financial Plan are agreed in February 2014.

The Council has communicated the financial challenges it faces to staff, who have a common understanding of the future cost pressures

- 52.** Our review found that there is a consistent understanding of the Council's approach to medium-term financial planning, the challenges the Council faces and the savings required to meet these challenges amongst staff. For example, budget proposals are communicated to all staff via the Council's intranet and website. In addition, regular management meetings, such as Departmental Management Teams and service team meetings, regularly discuss the budget and are engaged in identifying savings options. Staff involved in this review agreed that there was good engagement of staff in the budgeting process.
- 53.** Member seminars are held in January to discuss the budget proposals and seminars have also been held on significant or controversial areas, such as the closure of Tŷ Darren and Project Gwyrdd.
- 54.** The Council publishes its budget proposals early in the budget-setting process to allow for stakeholder consultation. The response from the Trades Unions, for example, is reflected in the final 2013-14 budget proposals. The Council only tends to consult directly with its partners if they are specifically affected by proposals.

The Council's human resource related policies and approach to vacancy management have played a key role in helping the Council to deliver savings and manage within budget

- 55.** The Council has used redeployment, rather than redundancy, to help deliver savings and manage its changing workforce needs. The job evaluation process has been used to match staff with appropriate vacancies based on their skill profile rather than just matching the individual to a similar job to the one they are leaving. In doing so, it is making the best use of the inherent skills of available staff. Redundancies have only been made where no redeployment options have been suitable. The numbers of redundancies have been low with less than 20 staff being made redundant over the past three years. When vacancies arise, prior consideration is given to internal candidates in the redeployment pool before vacancies are advertised. The greatest pressure on the redeployment pool is fixed-term/grant-funded posts coming to an end. As such, the Council has relied on opportunistic redeployments to achieve savings and has been able to do this successfully by taking the savings in advance of need.
- 56.** However, the workforce report to the Policy and Resources Scrutiny Committee in July 2013 highlighted that the Council's turnover figure has dropped below 10 per cent for the first time and emphasised that it is becoming increasingly difficult to use its natural turnover to manage opportunities for staff potentially at risk of redundancy, thus increasing the likelihood of compulsory redundancies.
- 57.** The Human Resource team is notified of vacancies that require filling and in the first instance considers the suitability of candidates from the redeployment pool, apprentice scheme, and former Remploy workers as the Council has an agreement with Jobcentre Plus to support them. If this proves unsuccessful, authority to advertise and recruit externally has previously required approval by the Corporate Management Team. This has now been delegated to directors.
- 58.** Since 2008-09, the Council has reviewed and tightened up a range of its human resource related policies, notably its grievance, sickness absence and disciplinary policies. This has helped to deal more effectively with poor performance whilst contributing to the delivery of savings. The number of FTE staff fell by 3.1 per cent between 2009-10 and 2011-12 and the level of sickness absence has reduced each year for the past four years. See Exhibits 5 and 6 above. The Trades Unions have been engaged in reviewing the policies and training was provided to around 1,000 managers on the new policies and procedures. Update sessions are due to be rolled out shortly. The Human Resources service is also developing reference packs to further help managers, for example, on how to support colleagues diagnosed with cancer.

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- 59.** The Council has also invested in embedding the use of the iTrent⁵ HR system which now provides meaningful management information to assist managers in having a clearer picture of their staff and enable HR management to identify trends across the Council. For instance, the Council is aware that over 30 per cent of its workforce is over 50 years old and that this may present a significant challenge in the next five to 10 years if a large number of staff retire at the same time. As a result, it is currently agreeing a flexible retirement policy that enables a controlled release of staff who wish to retire early. In doing so, it is trying to develop a workable policy that is fair, retains a degree of control for the Council to avoid mass retirements at the same time, and to try to determine when people wish to retire for workforce planning purposes.
- 60.** In addition, the HR service is currently drafting a workforce planning template to be completed by services to help them consider their workforce arrangements and where they will be in 12 months, three years and five years' time. As part of this, services will be expected to identify people and posts critical to their services to assist with succession planning.
- 61.** The Council has also introduced its Passport programme to provide apprenticeships for 16 to 24 year olds to help alleviate a potential future skills gap as well as providing opportunities for young people who are not in education, employment or training. This project is being led by Human Resources and is providing opportunities across the Council.
- 62.** The Council now has a better understanding of the use of agency staff across the Council. It uses a managed provider, Comensura, and now knows how many agency staff are employed, where they are working, how many are needed, and how much is being spent. The cost of employing agency staff has increased by nearly £1 million in recent years and as a percentage of the total pay bill is the third highest in Gwent, but remains below the Welsh average. Nevertheless, this does suggest an increasing reliance on agency staff to compensate for the loss of capacity in the Council's permanent staff and does raise questions about sustainability.

⁵ iTrent is an integrated Human Resource and payroll system used by the Council.

On the whole, the performance of the Council's Environmental Health, Housing and Waste Management services is improving or being maintained despite small real-term reductions in budgets

- 63.** In this section of the report we summarise how the Council is reducing expenditure and delivering savings in specific services. Our review has looked at three service areas – Environmental Health, Housing and Waste Management – to understand how well these individual services are planning and delivering savings on budgets. This part of the report concludes with an assessment of how the reductions in expenditure are impacting on current performance and whether services are continuing to meet their statutory obligations whilst remaining sustainable considering the future challenges they face.

Waste Management and Housing service budgets have remained relatively static since 2008-09 whilst the budget for Environmental Health has fallen slightly, but there have been fluctuations in the intervening years

- 64.** **Exhibit 8** below shows that the total revenue budgets of these three services has increased from £16.900 million in 2008-09 to £17.555 million in 2012-13, overall a four per cent increase in budget. However, from 2009-10 onwards the Housing budget incorporates Supporting People expenditure. The underlying Housing service budget has been approximately £0.8 million per annum. The Housing budget figure for 2012-13 includes about £0.9 million of Supporting People expenditure. Excluding this amount would mean that the total budgets for the three services has actually fallen to £16.75 million, a 0.9 per cent decrease. The impact of inflation would also mean, in real terms, the reduction is higher.

Exhibit 8: Environmental Health, Housing and Waste management services

Services have not experienced significant reductions in budgets

Service Budget	2008-09 (£'000)	2009-10 (£'000)	2010-11 (£'000)	2011-12 (£'000)	2012-13 (£'000)
Environmental health	3,050	2,683	2,491	2,783	2,795
Housing Services ⁶	837	2,069	1,951	1,410	1,635
Waste Management	13,013	14,444	14,818	14,436	13,125
Total	16,900	19,195	19,260	18,629	17,555

Source: Welsh Government, Revenue Budgets set at start of financial year.

65. Environmental Health revenue expenditure has fallen by eight per cent from £3.050 million in 2008-09 to £2.113 million in 2012-13. Conversely, Housing services budgets have increased by 95 per cent rising from £0.837 million in 2008-09 to £1.635 million in 2012-13. This is primarily due to the inclusion of supporting people expenditure from 2009-10 in these budget figures. Excluding this expenditure, the underlying housing service budget has actually remained relatively static over the past five years. The Waste Management services budget has increased by one per cent from £13.013 million in 2008-09 to £13.125 million in 2012-13, although there were significant variances in the intervening years.

Environmental Health services are managing with fewer resources and performance is mostly improving but it is unclear if the service is sustainable in the medium to long term

66. The local environmental quality of neighbourhoods is a concern for citizens. Issues such as fly-tipping, littering, graffiti, dog fouling and noise can be major problems. Environmental health services generally have responsibilities for tackling these issues, not just through regulation and enforcement but also by informing, advising and delivering initiatives to empower communities to take action to improve the quality of their own local environment. These responsibilities include: assessing the quality of the homes where people live; assessing the safety of places where people work; checking the hygiene of places where people eat and where food is produced; reducing the causes and effects of air pollution; dealing with problems arising from noise and anti-social noise; and pest and dog control.

⁶ Supporting People expenditure included from 2009-10. The budget for Supporting People covers services purchased from external agencies, services provided within Housing to support vulnerable people and the cost of the Supporting People commissioning function which falls in Social Services.

The environmental health service has achieved the required savings relatively easily, mainly through vacancy management and improving working practices. It is continuing to explore ways to improve value for money, but does not yet have plans in place to meet the significant challenges it faces in the near future

- 67.** The service has achieved the required savings through vacancy management and improved working practices. Vacancy management has tended to be opportunistic rather than planned, taking the opportunity to reconsider or delete posts as and when people leave. For example, in recent years posts have been deleted from the pollution and pest control teams. Environmental health currently employs 41.3 FTE posts. There are no vacant posts. Levels of staffing have remained relatively stable over the past three years fluctuating between 38.75 and 43 FTEs. The service no longer uses a contractor to provide staff and whilst there is still budget available to pay staff for overtime if required, officers informed us that this has been reduced substantially.
- 68.** Environmental Health has managed to deliver its required savings relatively easily. The service has managed to balance its budget and the team is currently fully staffed. The service has not experienced substantial reductions in staff numbers, but there has been greater pressure on grant-funded posts such as Health Improvement. The Service has undertaken a small restructuring in its community safety team, reducing the numbers of grant-funded posts which were unsustainable.
- 69.** The changes introduced to manage with a reduced budget have been relatively small scale. For instance, the Environmental Health team are now located together in one office to improve communication. Similarly, the service has explored ways of maximising staff capacity through, for example, the cross-training of staff to enable them to cover areas related to their responsibilities such as pest control and dealing with stray animals and prioritising work programmes on the areas of greatest need. In addition, the service has taken advantage of the Corporate Trainee Scheme. It took on two apprentices, funded by the corporate centre. One left at the end of the scheme and the other has taken up a position as a Community Warden.
- 70.** The Public Protection service, which encompasses Environmental Health, has an IT Development Group in place which looks at how the service can better use IT to become more efficient and effective. For example, the service has introduced personal digital assistants (PDAs) linked with contact centre enquiries to issue individual enquiries and programme work.

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71. However, the service is very aware of the future pressures with the implementation of the statutory Food Hygiene Rating Scheme⁷ in October 2013. It currently uses alternative enforcement measures for low-risk businesses, so is not adequately resourced to carry out additional inspections required by the change in legislation. It has informally considered working in partnership or sharing resources with neighbouring authorities but this has not been developed into a detailed business case setting out options for reducing cost or improving quality. It is unclear how the service is going to meet its statutory obligations.
72. The service has been exploring ways to generate additional income through the provision of services to other councils. The Council has entered into a Service Level Agreement to deliver pest control services for Blaenau Gwent County Borough Council. This will deliver financial savings of £26,000 per annum for Blaenau Gwent County Borough Council and £6,000 of income for Caerphilly County Borough Council which help make the Council's pest control service more sustainable.
73. Indeed, we found there is a good working relationship amongst Environmental Health services within the five Gwent councils and an informal support network has been in place for some time. This has mainly focussed on the provision of support and assistance in dealing with specific local incidents and sharing policies, procedures and information to improve standards. Further collaboration such as identifying an 'expert' lead for particular activities and sharing resources across the region or integrating services could result in capacity being improved. This has, however, not been developed into a detailed business case or considered by the five councils individually and is consequently some way off being achieved.
74. The service has reviewed its fees and charges but has not made any changes to its fee structures. Increasing fees and charges has been discussed more widely with members, but currently there is no political will to increase charges.
75. Although the service has not been faced with finding considerable levels of savings and is managing its workload within its existing budget, we found that the service has had to reduce its activity in non-priority areas. For instance, the numbers of performance development reviews undertaken on time across the service has been declining. In the Environmental Health Resources team, for example, less than 20 per cent of reviews were completed on time. Moreover, training has not been delivered, for example, in mental health first aid because of a lack of capacity within the Health Improvement team. The Service has also chosen not to pursue the achievement of national quality standards, such as ISO 9001⁸. Nevertheless, officers have continued their involvement in local and regional benchmarking groups.

⁷ The Food Hygiene Rating (Wales) Bill will make mandatory arrangements for a simple public health measure to give consumers easily understood information on the hygiene standards of a food business.

⁸ ISO 9001 is a quality management system standard designed to help organisations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product or service.

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- 76.** The service uses the Best Practice Standards⁹ to monitor progress on the key Environmental Health functions and to broadly achieve current quality and performance. The use of these standards can be further extended to identify and agree the appropriate acceptable standard of service and thereby determine where resources can be reduced in a managed way. To enable this approach the Council needs to understand the relationship between cost and performance more effectively and begin to collate more robust service data in order to explore and agree acceptable standards of service delivery as noted above. The Head of Service is a member of the Wales Heads of Environmental Health Group which provides the opportunity to learn from other councils and access different technical specialists.

The performance of the Environmental Health service has remained relatively sound but is average in comparison with other Gwent councils

- 77.** Key Performance Indicators (KPIs) help organisations understand how well they are performing in relation to their strategic goals and objectives. In the broadest sense, a KPI can be defined as providing the most important performance information that enables organisations or their stakeholders to understand whether the organisation is on track or not. In a time of austerity and reductions in both expenditure and the staff who deliver services, KPIs also provide a means to gauge the impact of such changes on the service to determine whether reductions in expenditure are being managed and mitigated effectively.
- 78.** In Caerphilly, the number of businesses that are broadly compliant with food-safety regulations increased from 86.9 per cent in 2010-11 to 87.23 per cent in 2011-12. The percentage of new businesses identified which were subject to a risk assessment visit, or returned a self-assessment questionnaire during 2011-12 for food hygiene has remained at 100 per cent over the past three years. Similarly, the percentage of high-risk businesses that were liable to a programmed inspection that were inspected for food hygiene has also been maintained at 100 per cent. The Council's performance on assessing compliance of food premises is improving and above the Welsh average. Within Gwent, its performance ranks third out of the five councils – [Exhibit 9](#).

⁹ The Chartered Institute of Environmental Health Best Practice Standards have been developed to improve Environmental Health Services across Wales and are tools to improve the standards of environmental health work provided by Welsh councils.

Exhibit 9: Broadly compliant food premises

The Council's performance is improving and above the Welsh average.

Council	2010-11 (%)	2011-12 (%)
Caerphilly	86.9	87.23
Blaenau Gwent	86.73	87.76
Torfaen	89.02	92.26
Monmouthshire	78	84.34
Newport	62.16	82.65
Wales Average	76.1	82.96

Source: Local Government Data Unit Wales.

79. Improving the look and feel of the streets was one of the Council's priorities in 2011-12, including reducing the incidence of environmental crime. The percentage of reported fly-tipping incidents which lead to enforcement activity has fluctuated over the past three years: 50.6 per cent in 2009-10, 36 per cent in 2010-11 and 46.6 per cent in 2011-12.
80. The Council's Performance Report 2009-2012 highlights a number of steps taken to address this priority, such as £40,000 of Tidy Towns¹⁰ funding used to enhance and rejuvenate wasteland and improve areas that were prone to littering and in some cases fly-tipping. As part of its StreetPride¹¹ initiative the Council also engaged with communities, for example Graig y Rhacca, to highlight the problem of fly-tipping and to emphasise the need to dispose of their waste correctly. In addition, the Council has set up a dedicated fly-tipping hotline and established a 'Report Fly Tipping online' function on its website. Irrespective, the response to fly-tipping incidents within five working days is declining although it remains above the Welsh average and is the third highest in Gwent – [Exhibit 10](#).

¹⁰ Tidy Towns is a Welsh Government initiative which provides funding to local authorities and Keep Wales Tidy to help people make their area cleaner, safer and tidier.

¹¹ Caerphilly StreetPride is a council initiative that brings together the services that keep Caerphilly county borough clean, green and safe. Its aim is to work with residents to keep streets and neighbourhoods at a standard that promotes pride and community responsibility.

Exhibit 10: Fly-tipping cleared in five working days

The Council's performance is declining but remains well above the Welsh average.

Council	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)
Caerphilly	99.29	98.97	98.94	98.34
Blaenau Gwent	98.69	98.08	100	100
Torfaen	87.3	93.69	90.25	77.41
Monmouthshire	70.56	72.82	79.72	81.09
Newport	100	99.95	99.65	99.95
Wales Average	93.65	94.33	95.53	91.36

Source: Local Government Data Unit Wales.

81. In 2011-12 the Council received over 5,000 requests for the environmental service. Of these, over 99 per cent were responded to within target times. This performance has remained steady at over 99 per cent over the past three years.
82. The number of houses that have been licensed¹² has slowly increased – [Exhibit 11](#).

Exhibit 11: Dwellings licensed

The Council has slowly increased the number of dwellings licensed.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	2	2	3	3
Caerphilly	6	6	8	9
Monmouthshire	1	0	0	2
Newport	698	432	465	525
Torfaen	1	1	1	1

Source: StatsWales, HOUS0803: Dwellings licensed.

¹² The Housing Act 2004 requires local authorities to license privately rented dwellings in three categories – mandatory licensing of houses in multiple occupation (HMO) with three or more storeys, five or more people and two or more households; additional licensing of HMOs excluded from the above; and selective licensing of other private dwellings where the local authority considers it will benefit tenants and communities, in areas of low demand and/or areas with problems of anti-social behaviour.

The Housing budget has remained static but the Housing service performance is mixed and it faces considerable challenges going forward

83. Following the ballot of its housing tenants in January and February 2012, the Council still manages its housing directly and is now working towards achieving the Welsh Housing Quality Standard by 2019-20. We found that officers felt that the housing tenants' vote to retain the Council as their landlord has had a positive impact on the perception and status of the service within the Council and facilitated better working with other services.
84. This review, however, has focused on the non-landlord functions including the provision of the statutory homelessness service; housing advice for landlords and tenants; provision of grants to improve the quality of homes; provision of grants to adapt their homes which help people live independently; and planning and enabling new housing within the local authority.
85. These services form a vital part of people's lives, affecting health and well-being, quality of life, and the opportunities available to them. This ranges from advice and assistance on housing issues across all tenures to tackling the most acute forms of social exclusion such as homelessness and living independently. Housing also has a key role in ensuring an adequate supply of new homes to address housing need.

The Housing service has not had to find significant levels of savings but has taken the opportunity to reorganise and introduce new ways of working which has helped to improve efficiency

86. The Housing Service budget (excluding expenditure on landlord services) is relatively small as a percentage of the Council's overall budget. The service has not faced significant pressure to cut its services. It has maintained the provision of grants to voluntary organisations, such as Shelter.
87. Despite this, it is positive to note that the service has taken opportunities to reorganise, consider new ways of working, improve its services and ensure it is resilient to future pressures. It has essentially achieved savings through reorganisation and introducing new ways of working. The service does not have a savings plan as such, but the need to consider how savings can be achieved is integral to the budget-setting process within the service.
88. Excluding staff within the DLO and public-sector housing divisions, currently the Housing service has 55.79 FTE posts. This is a slight increase from 53.14 FTE posts in 2010-11 but is slightly below the 58 FTE posts recorded in 2009-10. This represents a 3.8 per cent reduction in staff numbers. However, it is evident that the Council has invested in posts where a business need has been supported.

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- 89.** The Private Housing service has been reorganised and there has also been some reduction in staffing in the Housing Strategy division. Following the departure of the senior officer responsible for overseeing Housing Strategy, this post has been deleted and responsibilities transferred to the Private Sector Housing Manager. In recent years, the numbers of senior managers has reduced from five to three. The Council also secured 18 months' grant funding for an access and advice co-ordinator officer. This role has proved invaluable and the Council is currently applying for extension funding but will look to mainstream the post if this is unsuccessful.
- 90.** The Council is concerned about the impact the Welfare Reform may have on increasing the level of homelessness and has been actively exploring ways to mitigate this risk. For instance, it has reviewed family composition in the area and assessed who is likely to be impacted by the Welfare Reform. It has established three Tenancy support officers who have been speaking with tenants to determine the potential impact and consider preventative measures to reduce the risk of people becoming homeless. In addition, the service has commissioned a housing consultant to review its homelessness provision and common housing register. The Council recognises that the impact of the Welfare Reform is a significant pressure on many of its services and it has set up a project group specifically to consider the implications. The Housing Service is represented on this group. A seminar has also been held for Members.
- 91.** As a means of addressing this potential challenge, the service is working with United Welsh Housing Association to provide a new 18-bed facility to accommodate homeless persons and the Council is also refurbishing another facility to provide an additional 10 beds. It has also secured nomination rights in respect of empty homes where it has provided Conversion Grants¹³ to landlords, which enables the Council to use vacant properties to be let to house homeless people.
- 92.** In terms of collaboration and regional working with other councils, there has been limited progress made within Gwent to date. Where progress is being made it is mostly initiative led and not a fundamental change in service delivery that an integrated service working across council boundaries could bring. For example, the five Gwent councils have jointly reviewed their delivery of disabled facilities grants but this has only resulted in limited agreement on potential procurement options, and no savings or improved efficiency has been achieved.
- 93.** The Housing service currently receives additional income by undertaking adaptation/repair work funded by a range of grants such as the Disabled Facilities and Home Improvement Grants. This helps the service balance its budget but the service does not foresee that this income will increase as the work is considered already to be at saturation level.

¹³ The aim of conversion grants is to assist the physical and economic regeneration of an area. Grants are offered to landlords or businesses to convert buildings for alternative usage.

94. The Housing service monitors customer satisfaction of this grant-funded adaptation/repairs service quarterly through the collection of customer satisfaction surveys and performance is recorded on Ffynnon¹⁴. The percentage of respondents indicating that the standard and quality of work have been excellent or good has fluctuated between 67 and 100 per cent over the past year, but in the main it has been over 90 per cent.

Performance of housing services is mixed and the pressure on the service is increasing

95. An analysis of available national data shows that the Council’s housing service performance is mixed. Whilst the Council is now deciding on less numbers of homelessness cases, the number of homeless households in temporary accommodation has increased. (See Exhibits 12 and 13). Comparatively, the rate of homelessness in Caerphilly is below the average in Gwent. However, prevention work has continued to decline from a 95 per cent prevention rate recorded in 2009-10 to 84.05 per cent in 2011-12, but remains significantly above the Welsh average of 60.5 per cent.

Exhibit 12: Total number of decisions taken on homelessness

The number of homelessness cases being dealt with by the Council is reducing.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	355	260	275	500
Caerphilly	433	392	485	470
Monmouthshire	204	154	200	360
Newport	927	883	1,000	1,145
Torfaen	299	382	430	360

Source: Local Government Data Unit, Wales.

96. The numbers occupying temporary accommodation has showed a steady increase in recent years and is the third highest in Gwent. This suggests that the Council has limited choices available to effectively discharge its homelessness duties – Exhibit 13.

¹⁴ Ffynnon is a nationally procured software solution to meet the performance management requirements of local authorities, fire and rescue services, national park authorities and their partners.

Exhibit 13: Homeless households accommodated temporarily

The number of homelessness households in temporary accommodation has increased.

Council	2008-09	2009-10	2010-11	2011-12	2012-13 (Q3)
Blaenau Gwent	5	10	30	35	45
Caerphilly	75	85	85	90	100
Monmouthshire	130	110	120	125	130
Newport	185	270	205	275	180
Torfaen	135	90	100	95	70

Source: StatsWales, HOUS0411: Homeless households accommodated temporarily.

97. Social housing lettings (excluding transfers and exchanges) have reduced over the past 12 months falling from 1,198 in 2010-11 to 1,038 in 2011-12, after a two-year period of improved performance, but are above the level in 2008-09 – Exhibit 14. Overall, there are less homes becoming available to assist the Council and partners in addressing housing need and homelessness.

Exhibit 14: Number of lettings (excluding transfers and exchanges) during the financial year

Lettings in Caerphilly are reducing.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	531	528	508	539
Caerphilly	1,029	1,131	1,198	1,038
Monmouthshire	427	368	367	354
Newport	913	1,073	886	1,008
Torfaen	768	701	621	639

Source: StatsWales, HOUS1501: Number of lettings during the financial year.

98. The number of additional affordable housing units provided in Caerphilly as a percentage of all additional housing units provided during the year has remained constant in recent years at around 33 per cent. Conversely, the amount of additional affordable housing provided in Caerphilly has reduced from 203 units in 2008-09 to 108 units in 2011-12. Projections show that the anticipated number of additional affordable units in 2012-13 and 2013-14 will increase to 138 in 2012-13 but fall again in 2013-14 to 111 units¹⁵. This is being exacerbated by a reduction in capital money available for new housing development by housing associations, with the Social Housing Grant reducing from £5.6 million in 2009-10; to £3.7 million in 2010-11; £2.2 million in 2011-12; and £1.3 million in 2012-13.
99. The Council is continuing to invest in improving private sector homes and its performance is the second highest in Gwent – **Exhibit 15**. Similarly, the percentage of Private Sector Dwellings that have been vacant for more than six months at 1 April that were returned to occupation during the year through direct action by the local authority is also improving from 3.1 per cent in 2009-10 to 4.63 per cent in 2011-12, and is slightly above the Welsh average of 4.62 per cent but significantly lower than Torfaen County Borough Council, which has the highest performance in Wales.

Exhibit 15: Number of private-sector homes improved

Private-sector housing investment and improvement activity is increasing.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	143	57	68	62
Caerphilly	198	225	223	346
Monmouthshire	0	0	0	0
Newport	134	29	608	1,368
Torfaen	0	1	1	0

Source: StatsWales, HOUS1101: Private-sector housing renewal assistance,

100. The number of disabled facilities grants delivered has fallen in recent years although the amount spent on this activity has remained relatively constant, with its 2011-12 spending being higher than that in 2009-10 – **Exhibit 16**. Positively, the Council's performance on the average time taken to deliver a disabled facilities grant has improved, with the number of days taken decreasing from 394 days in 2008-09 to 333 days in 2011-12. Nonetheless, this performance is worse than the Welsh average of 326 days and ranks the Council third out of the five Gwent councils.

¹⁵ StatsWales, HOUS0311: Provision of affordable housing by all providers, by location.

Exhibit 16: Number and budget spent on completed disabled facilities grants by Council in the financial year

The amount spent on and number of disabled facilities grants delivered in Caerphilly has fallen.

Council	Budget spent 2009-10	Grants finished 2008-09	Budget Spent 2010-11	Grants finished 2010-11	Budget Spent 2011-12	Grants finished 2011-12
Blaenau Gwent	£943,821	123	£969,746	121	£816,321	113
Caerphilly	£1,024,823	211	£1,136,806	198	£1,026,622	182
Monmouthshire	£524,130	109	£549,835	110	£439,141	98
Newport	£514,640	72	£110,7175	158	£826,759	131
Torfaen	£1,245,002	111	£992,586	124	£1,240,854	123
Total	£4.252 million	626	£4.756 million	711	£4.349 million	647

Source: StatsWales, HOUS1301: Disabled Facilities Grants.

Waste services are managing well with less budget and performance continues to improve and remain in the top quartile in Wales

101. Waste services manage the collection, recycling and disposal of waste. They also offer advice on how best to manage household waste as well as provide a commercial collection service for businesses. A key focus for services is to meet the requirements of the Welsh Government's 'Towards Zero Waste', the overarching waste strategy for Wales. Local customer-facing services focus on: collection and advice to householders; collection and advice to businesses; promotional campaigns to raise awareness on sustainability and recycling; provision of recycling and disposal centres; and provision of community recycling points.

The Council's Waste Management service has been effective in reducing its budget. It has a number of activities in the pipeline to achieve additional savings

102. The Council's Waste Management service has managed to reduce its budget through other means than reducing headcount. It currently has 245.57 FTE staff split between operations and strategy. This is higher than the level recorded in 2009-10. Overall, the Waste Management service has seen a 3.18 per cent increase in staffing levels in recent years. Despite this, agency staff are still used by the service, primarily to cover summer holidays. The advantages and disadvantages of using agency staff were identified earlier in the report.

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- 103.** Whilst there have been some small variations in headcount quarter to quarter, these have been caused mainly by retirements in-year. When these occur, the service holds the vacancy for a period to create a saving and to determine if it can manage without filling the post. In refuse and cleansing, all supervisors are aged over 50. The service is, therefore, working with Human Resources to consider how key people would be replaced and has introduced training programmes for other staff to develop skills as a means of succession planning.
- 104.** The Council is involved in Prosiect Gwyrdd (Project Green)¹⁶ which is a waste partnership between five South Wales councils to deliver a regional solution to residual waste. Following all five councils approving the Preferred Bidder for a 25-year residual waste contract, the Welsh Government has approved its funding contribution for the project. The overall saving for the partner authorities over the contract period is approximately £500 million. Compared with the projected costs of continuing to landfill there is a saving for the partners of £11.4 million in the first year of the contract. Once the service has commenced, the annual saving continues to increase each year, as Prosiect Gwyrdd has negotiated a favourable price indexation compared to the rate of inflation. For the Council, approximately £1.5 million in savings will be realised through Prosiect Gwyrdd per annum due to reduced landfill costs. This, therefore, constitutes a major proportion of the savings target the Council needs to achieve for 2015-16.
- 105.** The service has clearly focussed on the need to improve efficiency and value for money in how it operates and has successfully introduced a number of initiatives to reduce expenditure in addition to Prosiect Gwyrdd. These include:
- decreasing landfill costs through increasing recycling;
 - introducing fortnightly refuse collections;
 - securing substantial savings through contract management and working in partnership with other authorities;
 - the purchase of new and more efficient vehicles;
 - better management of travel routes;
 - carrying out maintenance in-house and obtaining additional income by undertaking maintenance work for some contract-hire companies;
 - using mobile working technology in waste-collection services to improve the efficiency of collection services and improve the service to the customer, for which it won a Welsh Contact Centre Forum Annual Award; and
 - buying fuel collaboratively through the Welsh Purchasing Consortium.

¹⁶ Prosiect Gwyrdd (Project Green) is a partnership between Caerphilly Borough County Council, the County Council of the City and County of Cardiff, Monmouthshire County Council, Newport City Council, and the Vale of Glamorgan Council. The combined municipal waste of the five authorities makes up 40 per cent of the total municipal waste of Wales. Prosiect Gwyrdd is committed to looking for the best environmental, cost-effective and practical solution for waste after recycling and composting have been maximised in each area.

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- 106.** As a result of these changes, the Council continues to meet its statutory responsibilities and targets even with a reduced budget. Indeed, its performance in both reducing the amount of waste sent to landfill and increasing the amount of waste being recycled is in the top quartile compared to other Welsh councils. Feedback from the Household Survey undertaken in 2011 showed 94 per cent and 97 per cent of respondents were satisfied with the Council's recycling service and domestic refuse collection service respectively.
- 107.** Unlike other services we have assessed as part of this review, managers in Waste services are also using unit-cost data calculated as part of the Welsh Government Association (WLGGA) benchmarking club to compare costs with other councils and to monitor the effect of savings on the overall costs. Budgets are also monitored monthly and variances on cost-centre budget reports are tracked through, analysed and dealt with. This is allowing the service to manage its budgets more effectively.
- 108.** Historically, sickness absence has been high in Waste services but the changes to the Council's sickness-absence policy introduced in 2008-09 has had a positive effect on sickness-absence levels within the service. The procedures now include triggers for multiple short-term absences. Sickness absence has decreased from 4.82 per cent in 2010-11 to 4.58 per cent in 2011-12, although this remains higher than the target of four per cent. We understand that short-term absences have reduced but longer-term sickness absence has remained constant. The Council is currently exploring ways to address this, including making better use of Occupational Health.
- 109.** The percentage of performance development reviews completed on time has remained high at 97.5 per cent over the past two years, a marginal improvement on 95 per cent in 2009-10. This highlights that the changes in the service are not impacting on the ability to undertake management duties, which may often diminish when services are under pressure and lacking capacity.
- 110.** We found that the service is continuing to identify areas where further savings can be made such as: increasing participation in food-waste recycling and through expanding the service further to other public-sector premises; working with Blaenau Gwent and Merthyr Tydfil councils on the joint procurement of a food-waste processing station; and working on the design, location and construction of a new Waste Transfer Station and Civic Amenity Site.
- 111.** Through the budget proposal and medium-term financial planning process, the service has put forward a series of options to achieve savings for 2013-14 and 2014-15 for consideration by the Corporate Management Team and Members. These include reducing the litter bin budget, achieving savings from its recycling contract, reintroducing bulky waste collection charges and closing the civic-amenity site in Rhymney. However, we understand it is unlikely that the latter two options will be agreed by Council. The Council removed bulky-waste charges in 2013-14 and provided an additional £100,000 to meet the cost of free bulky-waste collections. Reports on potential savings options will be taken to the relevant Scrutiny Committee during the autumn.

112. The Waste service recognises that it may face a significant challenge in the future which could impact adversely on budgets. The Council currently operates a co-mingled kerbside collection service which is contrary to the Welsh Government’s preferred option of kerbside sorting. The former is viewed by many as a cheaper option to deliver in comparison to sorting, although the evidence on this is mixed. The Council believes that if it is required to change its kerbside collection practice to adhere to the Welsh Government’s policy preferences, this will increase the cost of the service, could impact adversely on recycling rates by making the task of recycling more onerous for citizens and would require additional crews and vehicles to maintain current standards of performance.

Waste performance is improving and is the best in Gwent

113. An analysis of available national data suggests that the Council continues to do well with improving standards and good comparative performance. For example, with regard to waste sent to landfill, the Council has seen a significant improvement with the proportion falling from 63.48 per cent in 2008-09 to 39.67 per cent in 2011-12. This was considerably better than the Welsh average and the best performance in Gwent – **Exhibit 17**.

Exhibit 17: Waste sent to landfill

The Council is sending less waste to landfill.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	74.98	70.8	64.52	46.31
Caerphilly	63.48	52.74	45.99	39.67
Monmouthshire	61.47	58.65	51.37	43.29
Newport	61.79	59.27	54.35	51.74
Torfaen	50.25	53.15	53.77	50.6
Wales	60.31	55.75	50.88	44.73

Source: Local Government Data Unit Wales.

114. The tonnage of waste collected and sent to landfill has decreased from 53,595 in 2009-10 to 39,129 in 2011-12 and the recycling rate improved from 36.5 per cent in 2008-09 to 59.1 per cent in 2011-12. This is above the Welsh average of 48.5 per cent and is the best performance in Gwent – **Exhibit 18**.

Exhibit 18: Percentage of municipal waste recycled/composted

The Council is composting and recycling more waste.

Council	2008-09	2009-10	2010-11	2011-12
Blaenau Gwent	25	29.2	35.5	42.3
Caerphilly	36.5	47.3	53.7	59.1
Monmouthshire	38.5	40.9	48.6	55.3
Newport	38.2	40.7	45.7	48.2
Torfaen	49	47.5	46.7	47.5

Source: Local Government Data Unit Wales.

Appendix 1

Key challenges faced by local government in Wales

Councils and local services face significant changes. Welfare reform, adult health and social-care reform and new powers and directives from the Welsh Government will all have a significant impact on local government. An increasing emphasis on partnership working and collaboration to provide opportunities for new approaches to service delivery, coupled with economic pressures resulting from the current recession, demographic changes in society and growing demand for services, means that councils face difficult choices going forward which may result in some services being unsustainable in the medium to long term.

Welsh Government five-year legislative plan

In 2012 the following Bills were announced by the First Minister for introduction during the five-year legislative programme of the National Assembly over the period 2011-2016. The titles of these Bills may change as their precise content is developed but they highlight significant changes to core services managed and delivered by councils in Wales – **Exhibit 23.**

Exhibit 23: National Assembly for Wales five year legislative programme 2011-2016

Proposed Bill	Broad focus of the legislation
Local Government (Byelaws) (Wales) Bill	To simplify byelaw procedures with the aim of fostering greater responsibility for, and ownership of, local laws.
School Standards and Organisation (Wales) Bill	To improve standards and performance in education in Wales. It will change the way in which schools are organised, put in place actions to drive up school improvement, make provision for statutory Welsh in Education Strategic Plans, and streamline the payment of certain grants to local authorities.
Cosmetic Piercing (Age of Consent) (Wales) Bill	A consultation to get views on how to make cosmetic piercing safer for young people began 18 October 2011 and closed on 31 January 2012.
Draft Human Transplantation (Wales) Bill	To provide for an opt-out system of organ donation and for connected purposes. Following the White Paper consultation that ended on 31 January 2012, the Draft Bill has now been published with an Explanatory Memorandum for further consultation. The consultation period for the Draft Bill closes on 10 September 2012.
Sustainable Development (Wales) Bill	The Bill will place a duty on the Welsh Government and public bodies in Wales to embed sustainable development principles within their strategic decision making. An independent body will be established to provide advice and support in this process.
Housing (Wales) Bill	A Bill to increase the supply of housing and improve housing-related services and tenants' rights in the private rented sector.

Proposed Bill	Broad focus of the legislation
Food Hygiene Rating (Wales) Bill	To make mandatory arrangements for a simple public-health measure to give consumers easily understood information on the hygiene standards of a food business.
Public Audit (Wales) Bill	To establish the Wales Audit Office, and make provision about the Auditor General for Wales.
Social Services (Wales) Bill	To provide a coherent Welsh legal framework to transform social services and deliver Sustainable Social Services.
Public Health (Wales) Bill	A consultation will be published in 2012 to consider the legislative basis for delivering improved life expectancy and wellbeing, and for reducing health inequality in Wales.
Local Government Democracy (Wales) Bill	A Bill to reform the structure and functions of the Local Government Boundary Commission and for the process of appointing and funding Returning Officers.
Planning (Wales) Bill	To consolidate existing planning legislation, make it more transparent and help deliver economic renewal.
Local Government (Collaboration Measures) (Wales) Bill	To support collaboration between local authorities, and other public bodies, to improve service provision. No longer to be brought forward.
Active Travel (Wales) Bill	To improve on and extend the network of routes within Wales that are safe and appropriate for walking and cycling.
Heritage (Wales) Bill	A Bill to modernise and streamline the system of controls for the protection of historic assets.
Environment (Wales) Bill	To provide for a more integrated management of the environment in Wales with greater environmental protection, economic and social benefits and for connected purposes.
Education (Wales) Bill	This Bill will provide for improved performance management in teaching, reform of the existing system of statements for children and young people with Special Educational Needs.
Further and Higher Education (Wales) Bill	This Bill, additional to the Legislative Statement of 12 July 2011, will implement many of the recommendations of the Humphreys Report on the governance of Further Education Institutions in Wales. It will also make changes to the structure of the body responsible for Higher Education strategic planning and funding and other connected purposes.
Prevention of Youth Offending (Wales) Bill	A Bill to strengthen the delivery of services to children and young people entering and leaving the youth-justice system and for connected purposes.
Children and Young Persons (Wales) Bill	To expand the role of the Children's Commissioner for Wales and for connected purposes.

Proposed Bill	Broad focus of the legislation
Domestic Abuse (Wales) Bill	To place a duty on relevant public-sector bodies to have a domestic-abuse and 'violence against women' strategy and support elements in place.
Statutory Third Sector Compacts (Wales) Bill	A Bill to make third-sector compact arrangements between local authorities and third-sector intermediary bodies a statutory requirement if evidence and consultation suggest that legislation is required.

Source: National Assembly for Wales Legislative Programme 2011-2016.

Welfare Reform Act 2012

The Welfare Reform Act 2012 of the UK Parliament aims to improve work incentives, simplify benefits and their administration, and deliver substantial savings. It is the biggest reform of the UK welfare system in 60 years, which could change the lives of millions of people and have significant implications for councils and the services they provide. The most significant changes include: a new universal credit to replace existing benefits, including housing benefits currently administered by councils; the introduction of a benefit cap which will limit the amount paid to households; and a new scheme to replace existing council tax benefits.

Immediate challenges include monitoring the impact of changes from April 2013. Work is continuing to ensure council staff are prepared to deal with issues that arise and to assist those most affected. In the longer-term, councils may review new house building to address the likely increased demand for properties with fewer bedrooms because, under the reforms, benefits will be restricted if a dwelling is larger than required.

Many councils have yet to address fully the longer-term implications. This is mainly because they are unable to predict with certainty the services they will be expected to provide and therefore the number, skill mix and staff grades required. It is difficult to overstate the potential implications of welfare reform on people and communities, on council services and their policy objectives, and on council staff. Welfare reform represents a major challenge for councils in the short to medium term.

Economic pressures

Due to the economic climate councils face greater demands from citizens to provide them with advice to address this financial hardship and help them find suitable work.

The tightening global credit crunch and economic recession impacting on council services with increasing benefit claimants/pressures on welfare benefits and advice services; rising demands for social housing; increasing homelessness; and demand on economic regeneration and business advice services.

Collaboration

The Local Government (Wales) Measure 2009 gave Welsh Improvement Authorities powers of collaboration and Ministers powers to direct authorities to enter into specified collaboration arrangements.

Benefits of collaborative working can include an improved or wider range of services for citizens through increased geographical reach which results in access to and for more citizens. It could also allow for more integrated approaches to meet the needs of citizens through organisations mutually supporting each other. This can result in financial savings and better use of existing resources as well as increased capacity to replicate success with better co-ordination of organisations' activities. Inherent in effective collaboration is the sharing of knowledge, good practice and information which can result in positive 'reputational' opportunities around reduced duplication.

Collaborative working can increase risk. To minimise this risk, time should be given to planning collaboration and to identifying and addressing issues. Collaborative working is not right for every organisation in every case. Carefully identifying and addressing issues of concern helps establish if it is the right way forward. Potential risks include outcomes not justifying the time and resources invested and confusion for those receiving services.

There can also be a loss of flexibility in working practices and a lack of consistency and clarity on roles and responsibilities. Collaboration can result in complexity in decision-making and scrutiny/checks and balances and loss of autonomy, and the diverting of energy and resources away from core aims. There can also be a cultural mismatch between organisations which often create change management challenges.



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